



Avgol reports improved revenues and profitability in Q1 2011 compared with the corresponding quarter in 2010:

Growth of 30% in Avgol's revenues to USD 82.8 million and growth of 97% in net profit to USD 7.1 million

- **Growth of 38% in gross profit to USD 18.1 million**
- **Growth of 47% in operating income to USD 10.9 million**
- **Growth of 37% in EBITDA to about USD 15.1 million**
- **Cash flow from operations – USD 12.7 million**

Avgol, a manufacturer of nonwoven fabrics for the hygiene market, reports substantial improvement in its revenues and profitability during the first quarter of 2011.

The Company's revenues for Q1 2011 totalled approximately USD 82.8 million – growth of 29.7% compared with the Company's revenues in the corresponding period last year, which totalled approximately USD 63.8 million. The growth in sales is attributed to Avgol's enhanced production capabilities, which it achieved primarily due to the start-up of the additional production line in China during the second half of 2010, as well as due to the improved operating efficiency of Avgol's existing production lines at all of its locations.

The growth in sales revenues was also achieved, to some extent, as a result of an update of the selling prices following a hike in the prices of the raw materials during the fourth quarter of 2010, in accordance with the price-adjustment mechanism in effect between the Company and the majority of its customers. According to this mechanism, the selling prices are revised according to changes in the price of the

Company's principal raw material, polypropylene, after a delay of one quarter. Avgol noted that it has several customers which prices are being adjusted on a monthly and bimonthly basis..

Avgol's gross profit for the first quarter of 2011 totalled approximately USD 18.1 million, about 21.9% of the total revenue – an increase of 38% compared with the gross profit for the corresponding quarter, when it constituted about 20.6% of the total revenue. The increase in the gross profit ratio was achieved due to the strengthening of the EUR and the CNY compared with the USD, and thanks to the improved operating performance at Avgol's plants, this despite the fact that the price of the raw material rose by an average of about 6% during the first quarter of 2011, which had a margin-eroding effect. The increase in the price of the raw material during the first quarter will force an upward revision of most of the selling prices of Avgol's products during the second quarter of 2011; however, it should be noted that, offsetting this, the raw materials prices are continuing their upward trend.

The operating income for the first quarter of 2011 totalled approximately USD 10.9 million, constituting about 13.2% of the total revenue – a 47% increase compared with the operating income for the corresponding period, when it constituted about 11.6% of the total revenue. The increase in the operating income during the first quarter of 2011 derives from the increase in the gross profit and from a decrease in the ratio of selling, administrative and general expenses to about 8.7% of the total sales turnover, compared with the ratio of about 9.3% during the corresponding quarter last year.

For the first quarter of 2011, Avgol's EBITDA totalled approximately USD 15.1 million – a 37% increase compared with the corresponding period last year, when it totalled approximately USD 11 million.

Avgol's net profit for the first quarter of 2011 totalled approximately USD 7.1 million – growth of 97% compared with the net profit of USD 3.6 million for the corresponding quarter last year. Avgol's net profit margin reached about 8.5%, compared with a net profit margin of about 5.6% during the corresponding period.

The cash flow from operations totalled approximately USD 12.7 million for the first quarter of 2011 – an increase of 41% compared with the cash flow from operations for the corresponding period last year, which totalled approximately USD 9 million. The increased flow derives from the increase in operating profitability.

Mr. Shlomo (Momo) Liran, Avgol's C.E.O., noted that “We are proud of the sharp growth in Avgol's revenues, profit and cash flow during the first quarter of 2011, which are the result of the increase in the Company's production and sales volumes, and our continuing efficiency improvements. **I wish to thank our professional and devoted teams at Avgol worldwide, since we have only them to thank for making these results possible.** Our substantial sales growth also constitutes an expression of faith in Avgol's products by our customers around the globe. Avgol is constantly upgrading and developing its production capabilities in order to provide a state-of-the-art and profitable enhancement of its production capacity and capabilities. Attesting to this, Avgol reported the purchase of two new production lines, one in the United States and the other at another Avgol plant, investing a total of some USD 80 million. These production lines will begin operating during the first half of 2012. Concurrently, the Company is diligently pursuing its product development activities for its various customers in order to tailor our products to their needs and provide an optimal response to their distinct requirements.”

Avgol is a global technology company, a world leader in the development, manufacture and marketing of nonwoven fabrics, mainly for the diaper industry. Avgol manufactures approximately 10% of the global market for raw materials for diapers. Among Avgol's major customers are Proctor and Gamble and Kimberly Clark. The Company has 12 production lines: three lines in the United States, two production lines in China, one in Russia and six in Israel. The majority of the Company's sales are overseas.