

**Avgol's results in Q2 2011 improve relative to the  
corresponding quarter last year:**

**Growth of 24% in Avgol's revenues to USD 82 million;  
58% improvement in net profit to USD 4.7 million**

- **Growth of 29% in gross profit in Q2 2011 to about USD 14.6 million**
- **Growth of 39% in operating profit in Q2 2011 to about USD 7.7 million**
- **Growth of 33% in Q2 EBITDA to about USD 12 million**
- **Growth of about 79% in net profit during the first half of 2011, to about USD 11.6 million**
- **Despite the start of investments in the new production lines (about USD 25 million to date), Avgol's ratio of debt to EBITDA dropped to about 2.4**

**Shlomo (Momo) Liran, Avgol's C.E.O.:**

***"Avgol invests in the development of new products and technologies for the manufacture of nonwoven fabrics, while sustaining its global leadership and promoting cooperation with major customers. Thanks to this, as far as we know, Avgol is showing the highest growth rate in the industry."***

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

Avgol's **revenue** in Q2 2011 totalled approximately USD 81.9 million – growth of about 23.9% compared with revenue of approximately USD 66.1 million in the

corresponding quarter last year. The majority of the growth in revenue derived from Avgol's enhanced production capabilities after the start-up of the second production line in China, which led to an increase in the quantitative volume of products being manufactured and sold. Also contributing to the growth in revenue was the upward revision of the selling prices following a hike in the prices of the raw materials.

The improved production efficiency, as well as the strengthening of the EUR and the CNY relative to the USD, led to sharp improvements in profit and profitability. Avgol's **net profit** in Q2 2011 totalled approximately USD 4.7 million – growth of 51.6% compared with net profit of USD 2.9 million in the corresponding quarter last year. Avgol's ratio of net profit to total income reached approximately 5.7%, compared with the ratio of net profit to total income of approximately 4.5% in the corresponding period last year.

According to the price-adjustment mechanism in effect between the Company and the majority of its customers, 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 reports that, due to the continuing rise in the raw materials prices during the first half of 2011, the prices of the majority of the products produced by Avgol will be upwardly revised during the third quarter of 2011. As of the first quarter of 2011, prices are being adjusted on a monthly and bimonthly basis in relation to a number of Avgol's customers.

Avgol's **gross profit** in Q2 2011 totalled approximately USD 14.6 million, about 17.8% of the total income – growth of 29.2% compared with the gross profit in the corresponding quarter last year, which totalled approximately USD 11.3 million, when it constituted about 17.1% of the total income. The increase in the gross profit ratio was achieved mainly thanks to the improved operating efficiency at Avgol's plants, the strengthening of the EUR and the CNY compared with the USD, and thanks to the second production line in China, which contributed a higher marginal profitability. The growth in gross profit was achieved despite the rate of the rise in the raw materials prices during the quarter, which was higher than in the corresponding quarter last year.

Avgol's **operating profit** in Q2 2011 totalled approximately USD 7.7 million, about 9.4% of the total income – growth of 39% compared with the operating profit in the corresponding period last year, when it totalled approximately USD 5.5 million and constituted about 8.3% of the total income. The increase in the operating profit was

achieved due to the Company's actions that increased production efficiency and reduced the ratio of operating expenses to sales to about 8.4% of the sales turnover, compared with the ratio of about 8.8% in the corresponding quarter last year.

Avgol's **net financing expenses** in Q2 2011 totalled approximately USD 1.9 million (about 2.3% of the sales), compared with a total of approximately USD 1.9 million (about 2.8% of the sales) in the corresponding period last year.

Avgol's **EBITDA** in Q2 2011 totalled approximately USD 12 million – a 33.3% increase compared with the corresponding period last year, when it totalled approximately USD 9 million.

**Avgol Industries closed the first half of 2011 with income of USD 164.7 million**, growth of 26.8% compared with the corresponding period last year. The gross profit in the first half of 2011 totalled approximately USD 32.7 million, growth of 34% compared with the corresponding period last year. The operating profit in the first half of 2011 totalled USD 18.6 million, growth of 44% compared with the corresponding period, and the Company closed the first half of 2011 with consolidated net profit of USD 11.5 million – growth of 79% compared with the corresponding period last year.

**The equity** as on June 30, 2011, totalled approximately USD 112.6 million, compared with approximately USD 109 million on December 31, 2010. This equity is after the offset of the dividend totalling approximately USD 10 million, which was distributed last quarter in respect of the profits in 2010.

**The ratio of Avgol's total net financial debt to EBITDA is under 2.4.** Despite the fact that the **Company has invested some USD 25 million to date** in two new production lines concurrently, one in China and one in the United States, within the scope of its investment plan at the volume of some USD 80 million, the Company's net debt increased by only about USD 8 million.

The Company executed early repayments and refinancing of loans opposite some of the banking corporations, while rescheduling and extending the average duration of some of its debts, and at more favorable interest rates.

**Mr. Shlomo (Momo) Liran, Avgol's C.E.O.**, said today, upon the release of the financial statements, that *"We are satisfied with the continued growth in the Company's revenue and profitability. These were achieved as a result of improvements in the operating efficiency of the existing production lines at all of the*

*Company's sites, which contributed to the growth in sales and to our highly successful coping with the challenge of the spiraling raw materials prices. Avgol is proceeding with its substantial strategic investment in new infrastructure with the establishment of two production lines, in China and in the United States, at an investment of tens of millions of dollars, which will ensure the strengthening of the Company's business and competitive position and the consistent improvement in its profitability. Both of the production lines will be fully operational already during the first half of next year.*

*"I am pleased that, despite the substantial investments in infrastructure, the Company's degree of leveraging was not affected, and even improved compared with the corresponding period, thanks to the courses of action we implemented, coupled with responsible debt management. Avgol places special emphasis on superior-quality solutions in response to the growing demand, and invests in the development of new products and technologies for the manufacture of nonwoven fabrics, while sustaining its global leadership and promoting cooperation with major customers. Our products continue to be attractive, due to their uncompromising quality and innovation and due to the excellent service we provide to our customers."*

#### **About Avgol:**

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 raw materials for diapers in the global market. 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.