

Avgol Industries reports its results for the third quarter
and the first nine months of 2010

Sales in Q3 2010 grew 44% vs. Q3 2009 to USD 75.2 million

Gross profit rate – 25.8%

Operating profit rate – 17.2%

Net profit - USD 8.4 million, vs. USD 2.6 million in Q3 2009

During the third quarter, Avgol held approximately 80% of the shares of the Chinese company “Gold Dragon,” while, during the third quarter last year, it held only about 70%. Avgol views the Chinese company as one of its growth engines for the coming years.

Income during the third quarter totaled approximately USD 75.2 million, growth of about 44% compared with the corresponding period last year. This growth derives mainly from the increase in the selling prices to customers, which was a direct outcome of a mechanism adjusting the selling prices to the price of the raw material, polypropylene. The increased output of the new line in China also contributed to growth.

During the first nine months of the year, income totaled approximately USD 205 million, compared with approximately USD 153 million for the corresponding period last year; i.e., growth of approximately 34%.

Gross profit for the quarter totaled approximately USD 19.4 million (25.8% of the income), constituting double the gross profit for the corresponding quarter last year (18.4% of the income).

During the first nine months of the year, the gross profit totaled approximately USD 43.9 million, constituting approximately 21.4% of the income.

Selling and marketing expenses totaled approximately USD 3.7 million (4.9% of sales), compared with approximately USD 2.5 million (4.8% of sales) for the corresponding quarter last year. The Company's selling and marketing expenses derive directly from sales volume.

During the first nine months of the year, the selling and marketing expenses totaled approximately USD 9.8 million and constituted approximately 4.7% of the income.

Administrative and general expenses totaled approximately USD 2.2 million (3% of the income), compared with approximately USD 1.8 million for the corresponding quarter last year (3.6% of the income). The increase in these expenses is a direct result of the Company's growth and its increased volume of operations.

During the first nine months of the year, the administrative and general expenses constituted approximately 3% of the income.

Operating profit totaled approximately USD 13 million (17.1% of the income), compared with approximately USD 4.7 million during the corresponding quarter last year (9% of the income).

During the first nine months of the year, the operating profit totaled approximately USD 25.9 million (12.6% of the sales).

Financing expenses totaled approximately USD 2.3 million (3% of the income) and derived mainly from fluctuations in various currencies' exchange rate. During the corresponding quarter last year, the financing expenses totaled approximately USD 1.4 million (2.7% of the income) and derived from income in respect of exchange rate differentials.

During the first nine months of the year, the financing expenses totaled approximately USD 6.5 million.

Third-quarter **EBITDA** totaled approximately USD 17.1 million (22.7% of the income), compared with approximately USD 9.1 million for the corresponding

quarter last year (17.4% of the income); for the first nine months of the year, the EBITDA totaled approximately USD 37.2 million (18.1% of the income).

Net profit totaled approximately USD 8.4 million (11.2% of the income), compared with approximately USD 2.6 million for the corresponding quarter last year (5% of the income). During the first nine months of the year, the net profit totaled approximately USD 15.1 million (7.4% of the income).

The **total balance sheet** on September 30, 2010 totaled USD 348 million, compared with approximately USD 295 million on December 31, 2009.

Equity totaled approximately USD 101.7 million, compared with approximately USD 97.1 million on December 31, 2009. The growth results mainly from an increase in surpluses due to the net profit during the first nine months of the year – USD 15.1 million – which was offset by a dividend of approximately USD 8 million paid at the first quarter of 2010.

The **operating cash flow** in the quarter totaled approximately USD 35.8 million.

The Company executed an early repayment of the balance of a loan it had obtained from the Mustang Fund at the volume of approximately USD 4 million, which included the balance of the principal and interest.

In October, the Company announced that, in response to the growing demand for its products, and with the objective of continuing to improve its competitive positioning, it is acquiring two new production lines at an investment of approximately USD 80 million, which is to be financed from its own sources and from long-term loans. The new production lines will increase the Company's output by about 30% to approximately 140 thousand tons.

Mr. Shlomo Liran, Avgol's C.E.O., said: "We are satisfied with the results of the third quarter and first nine months of 2010. The growth rate and profitability characterizing Avgol's results for the first 9 months of 2010 are consistent with the long-term band we declared in the past, and we assess that these rates will be sustained. Avgol continues to leverage its competitive advantages in quality, innovation and reliability, as well as its global presence, in order to increase its activities in strategic markets. Avgol's business positioning and competitive positioning enable us to identify and exploit opportunities in our target markets. As part of our strategy to sustain this momentum, we increased our production capacity this year in China by 150%, and recently reported an agreement to purchase two additional new production lines at an investment of about USD 80 million, which will increase the Company's production capacity by about 40% in 2012."