

**Ashot Ashkelon Industries
Limited**

**Interim Financial Statements
as at March 31, 2011
(Unaudited)**

Financial Statements at March 31, 2011

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Balance Sheets

	As at March 31		As at December 31
	2011	2010	2010
	Unaudited		Audited
NIS in thousands			
Current assets			
Cash and cash equivalents	25,116	26,146	38,616
Restricted bank deposit	279	297	285
Trade receivables	25,921	46,149	28,291
Investment in financial instruments	81,203	48,826	80,645
Other accounts receivables	24,418	16,574	19,011
Financial derivative	1,373	1,545	1,297
Inventory	135,401	(*)110,318	124,217
Total current assets	293,711	249,855	292,362
Non-current assets			
Investment in financial instruments	-	14,706	-
Financial derivative	4,433	8,177	4,055
Non-current inventory	19,714	19,742	24,872
Benefits to employees	21,683	23,864	22,413
Fixed assets	88,428	91,998	88,535
Intangible assets	7,971	8,167	8,238
Total non-current assets	142,229	166,654	148,113
Total assets	435,940	416,509	440,475

(*)Reclassified

 Avi Felder
 Chairman of the Board of Directors

 Dan Katz
 Chief Executive Officer

 Eli Zucker
 Vice President Finance and Control

Date of approval of the financial statements: May 30, 2011

Balance Sheets

	As at March 31		As at December 31
	2011	2010	2010
	Unaudited		Audited
	NIS in thousands		
Current liabilities			
Short-term credits from banks and others	5,665	5,947	5,824
Trade payables	34,226	24,920	29,635
Other accounts payables	29,190	23,133	26,771
Provisions	3,090	2,730	2,883
Current installments of debentures	20,458	20,339	20,972
Customer advances	61,826	54,595	59,475
Total current liabilities	154,455	131,664	145,560
Long-term liabilities			
Loans from banks	5,686	5,430	6,365
Other liabilities	1,499	2,946	1,832
Liability for early retirement pensions	7,139	6,670	7,157
Liability for employees benefits	2,667	2,653	2,528
Debentures	51,768	66,015	50,453
Customer advances	84,847	87,642	104,052
Total long-term liabilities	153,606	171,356	172,387
Total liabilities	308,061	303,020	317,947
Shareholders equity			
Outstanding share capital	93,144	(*) 93,144	93,144
Additional paid-in capital	18,234	18,234	18,234
Capital funds	24,374	24,374	24,374
Perpetual liabilities	128,011	122,029	126,648
Accumulated deficit	(135,884)	(*) (144,292)	(139,872)
Total shareholders equity	127,879	113,489	122,528
Total liabilities and equity	435,940	416,509	440,475

(*)Reclassified

Statements of Operations

	For the period of nine months ended March 31		For the year ended December 31
	2011	2010	2010
	Unaudited		Audited
	NIS in thousands		NIS in thousands
Sales	63,714	57,585	222,333
Cost of sales	(52,604)	(*) (44,074)	(*) (181,813)
Gross profit	11,110	13,511	40,520
Other income	-	2	108
Research, development and pre-manufacturing expenses	(96)	(*)-	(*)-
Selling and marketing expenses	(1,171)	(1,120)	(4,770)
General and administrative expenses	(3,210)	(2,862)	(13,163)
Operating profit	6,633	9,531	22,695
Financing expenses	(2,330)	(2,212)	(10,021)
Financing income	1,093	970	4,789
Financing income (expenses), net	(1,237)	(1,242)	(5,232)
Profit before taxes	5,396	8,289	17,463
Taxes on income	(45)	(45)	(180)
Profit for the period	5,351	8,244	17,283
Basic and diluted earnings per share:	0.19	0.43	0.64

(*)Reclassified

Statements of Changes in Shareholders' Equity

	For the period of three months ended March 31, 2011						
	Outstanding share capital	Additional paid-in capital	Capital from transactions with interested party	Re-evaluation fund (Unaudited)	Perpetual liabilities	Accumulated losses	Total
	NIS in thousands						
Balance as at January 1, 2011	93,144	18,234	691	23,683	126,648	(139,872)	122,528
Accrued interest and linked differences on perpetual capital notes	-	-	-	-	1,363	(1,363)	-
Total income for the period	-	-	-	-	-	5,351	5,351
Balance as at March 31, 2011	93,144	18,234	691	23,683	128,011	(135,884)	127,879

	For the period of three months ended March 31, 2010						
	Outstanding share capital	Additional paid-in capital	Capital from transactions with interested party	Re-evaluation fund (Unaudited)	Perpetual liabilities	Accumulated losses	Total
	NIS in thousands						
Balance as at January 1, 2010	(*) 93,144	18,234	691	23,683	122,853	(*) (153,360)	105,245
Accrued interest and linked differences on perpetual capital notes	-	-	-	-	(824)	824	-
Total income for the period	-	-	-	-	-	8,244	8,244
Balance as at March 31, 2010	93,144	18,234	691	23,683	122,029	(144,292)	113,489

(*)Reclassified

Statements Changes in Shareholders' Equity (cont'd)

	For the year ended December 31, 2010						Total
	Outstanding share capital	Additional paid-in capital	Capital from transactions with interested party	Re-evaluation fund	Perpetual liabilities	Accumulated losses	
	Audited						
	NIS in thousands						
Balance as at January 1, 2010	93,144	18,234	691	23,683	122,853	(153,360)	105,245
Accrued interest and linked differences on perpetual capital notes	-	-	-	-	3,795	(3,795)	-
Total income for the period	-	-	-	-	-	17,283	17,283
Balance as at December 31, 2010	<u>93,144</u>	<u>18,234</u>	<u>691</u>	<u>23,683</u>	<u>126,648</u>	<u>(139,872)</u>	<u>122,528</u>

Statements of Cash Flows

	For the period of three months ended March 31		For the year ended December 31
	2011	2010	2010
	Unaudited		Audited
	NIS in thousands		NIS in thousands
Cash flows from operating activities			
Profit for the period	5,351	8,244	17,283
Adjustments to reconcile net income to net cash provided by (used in) operating activities (Appendix A):	(13,000)	(*) (4,902)	35,514
Paid income taxes	(45)	(45)	(180)
Net cash provided by (used in) operating activities	(7,694)	3,297	52,617
Cash flow from investment activities			
Investment in financial instruments	(1,852)	(14,617)	(92,690)
Proceeds from sale of Financial derivative	-	-	6,047
Proceeds from financial instruments	920	379	62,578
Investment in intangible assets	(37)	(266)	(1,443)
Decrease in deposits	6	5	17
Purchase of fixed assets	(4,217)	(1,914)	(5,104)
Proceeds from sale of fixed assets	-	-	43
Interest received	756	198	1,578
Net cash used in investment activities	(4,424)	(16,215)	(28,974)
Cash flows from financing activities			
Repayment of Debenture	-	-	(17,798)
Receipt of long-term loans	-	-	3,100
Repayment of long-term loans	(1,095)	(1,359)	(4,710)
Short-term bank credits, net	(43)	-	43
Interest paid	(184)	(206)	(5,979)
Net cash provided by (used in) financing activities	(1,322)	(1,565)	(25,344)
decrease in cash and cash equivalents	(13,440)	(14,483)	(1,701)
Balance of cash and cash equivalents as at the beginning of the period	38,616	40,634	40,634
Effect of changes in exchange rate on cash balances	(60)	(5)	(317)
Cash and cash equivalents as at the end of the period	25,116	26,146	38,616

(*)Reclassified

Statements of Cash Flows (cont'd)

	For the period of three months ended March 31		For the year ended December 31
	2011	2010	2010
	Unaudited		Audited
	NIS in thousands		NIS in thousands
Appendix A – Adjustments to reconcile net income to net cash provided from operating activities:			
Income and expenses not involving cash flows:			
Depreciation and amortization	2,496	2,640	10,342
Loss on impairment of fixed assets and intangible assets	167	11	217
Loss from sale of fixed assets	-	-	32
Adjustments of long-term liabilities gain from financial derivative	(33)	(55)	(149)
Adjustments of debentures	(454)	(488)	(2,165)
Adjustments of financial instruments	801	(763)	1,625
Paid income tax	374	193	(836)
Financing expenses, net	45	45	180
	(513)	194	5,422
	2,883	1,777	14,668
Changes in assets and liability items:			
Changes in inventory	(6,026)	(*) (3,062)	(22,092)
Changes in trade receivables	2,370	8,746	26,604
Changes in other receivables	(4,142)	(148)	(1,646)
Changes in benefits to employees	730	(614)	837
Changes in trade payables, subcontractors and service providers	5,291	4,381	7,682
Change in liability for employees	(70)	-	(292)
Changes in customer advances	(16,854)	(15,683)	5,607
Change in provisions	207	(228)	(75)
Changes in other accounts payables	2,629	270	4,307
Changes in liability for early retirement pensions	(18)	(341)	(86)
	(15,883)	(6,679)	20,846
	(13,000)	(4,902)	35,514

(*)Reclassified

