

**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**U.S. dollars in thousands, except per share data**

	<b>Year ended December 31,</b>		
	<b>2002</b>	<b>2003</b>	<b>2004</b>
Sales, net	190,305	163,086	182,819
Cost of sales	151,385	139,422	159,937
Restructuring costs	1,550	0	0
Gross profit	37,370	23,664	22,882
Selling, general and administrative expenses	18,358	20,323	22,387
Restructuring costs	3,793	0	0
Operating Income	15,219	3,341	495
Financial expenses, net	5,457	5,628	5,212
Other expenses (income), net	2,293	(228)	0
Income (loss) before taxes on income	7,469	(2,059)	(4,717)
Taxes on income	4,979	(424)	203
Equity in losses of affiliated companies	(1,172)	(183)	0
Minority interest in earnings of a subsidiary	(822)	(2,550)	(1,945)
Pre-acquisition earnings of subsidiary since April 1, 2003 through May 5, 2003	-	(85)	-
Income (loss) before cumulative effect of change in accounting principles	496	(4,453)	(6,865)
Cumulative effect of change in accounting principles	(17,994)	0	0
Net loss	(17,498)	(4,453)	(6,865)
Basic and diluted net loss per share:			
Earnings (loss) per share before cumulative effect of change in accounting principles	\$ 0.04	\$ (0.36)	\$ (0.44)
Loss per share from cumulative effect of change in accounting principles	(1.45)	-	-
Basic and diluted net loss per share	\$ (1.41)	\$ (0.36)	\$ (0.44)
Weighted average number of shares used for computing basic and diluted loss per share	12,409,929	12,412,166	15,603,904

**CONSOLIDATED BALANCE SHEETS**  
**U.S. dollars in thousands, except per share data**

	<b>December 31,</b>	
	<b>2003</b>	<b>2004</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$5,747	\$3,558
Trade receivables (net of allowances for doubtful accounts and product returns of 779 and \$ 252 as of December 31, 2003 and 2004, respectively)	24,917	21,402
Other accounts receivable and prepaid expenses	6,166	5,696
Inventories	31,676	33,137
<u>Total current assets</u>	<u>68,506</u>	<u>63,793</u>
<b>LONG TERM ASSETS</b>		
Deferred taxes	3,428	2,486
Investment in affiliated companies	296	-
Severance pay fund	217	95
Other	806	483
<u>Total long term assets</u>	<u>4,747</u>	<u>3,064</u>
PROPERTY, PLANT AND EQUIPMENT, NET	97,473	93,931
GOODWILL	30,865	30,743
<u>Total assets</u>	<u>\$201,591</u>	<u>\$191,531</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Short-term banks credits	\$30,631	\$21,355
Current maturities of long-term debt:		
Loans from banks and others	10,328	9,039
Capital leases	1,367	206
Trade payables	29,558	28,991
Conditional obligation with respect to issuance of shares	-	3,454
Other accounts payable and accrued expenses	11,146	9,189
<u>Total current liabilities</u>	<u>83,030</u>	<u>72,234</u>
<b>LONG-TERM LIABILITIES:</b>		
Loans from banks and others (net of current maturities)	56,471	47,907
Capital leases (net of current maturities)	327	-
Deferred taxes	7,570	5,611
Accrued severance pay	2,486	2,744
<u>Total long-term liabilities</u>	<u>66,854</u>	<u>56,262</u>
LIENS, CONTINGENCIES AND COMMITMENTS		
MINORITY INTEREST	15,052	16,291
<b>SHAREHOLDERS' EQUITY:</b>		
Share capital		
Ordinary shares of NIS 1 par value Authorized: 50,000,000 shares; Issued: 13,409,566 and 18,014,247 as of December 31, 2003 and 2004, respectively;		
Outstanding: 12,412,166 and 17,016,847 shares as of December 31, 2003 and 2004, respectively	5,575	6,582
Deferred shares of NIS 1 par value - Authorized, issued and outstanding: 4,500 shares	1	1
Additional paid-in capital	62,810	79,243
Treasury shares at cost (997,400 Ordinary shares as of December 31, 2003 and 2004)	(7,408)	(7,408)
Deferred stock compensation	-	(486)
Accumulated deficit	(24,323)	(31,188)
<u>Total shareholders' equity</u>	<u>36,655</u>	<u>46,744</u>
<u>Total liabilities and shareholders' equity</u>	<u>\$201,591</u>	<u>\$191,531</u>

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**U.S. dollars in thousands**

	<b>Year ended December 31,</b>		
	<b>2002</b>	<b>2003</b>	<b>2004</b>
<u>Cash flows from operating activities:</u>			
Net loss	(17,498)	(4,453)	(6,865)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation , amortization and impairment of propety, plant and equipment	9,722	9,005	10,760
Restructuring charges	4,172	-	-
Amortization of deferred stock compensation	-	-	554
Loss related to contingent obligation	-	-	150
Cumulative effect of change in accounting principles	17,994	-	-
Accrued severance pay, net	1,285	(692)	380
Deferred income taxes, net	4,571	(621)	(853)
Realization of pre acquisition operating losses	-	-	489
Equity in losses of affiliated companies	1,172	183	-
Loss (gain) on disposal of property, plant and equipment, net	8	(199)	28
Minority interest in earnings of a subsidiary	822	2,550	1,945
Loss from issuance of shares in subsidiary to third party	2,082	-	-
Pre-acquisition earnings of a subsidiary	-	85	-
Changes in operating assets and liabilities:			
Decrease (increase) in trade receivables, net	2,019	(3,006)	3,515
Decrease (increase) in other accounts receivable and prepaid expenses	(343)	(469)	65
Increase in inventories	(2,634)	(4,482)	(1,461)
Increase (decrease) in trade payables	4,227	3,911	(567)
Increase (decrease) in other accounts payable and accrued expenses	(1,753)	1,064	(1,231)
	<u>25,846</u>	<u>2,876</u>	<u>6,909</u>
<u>Cash flows from investing activities:</u>			
Purchase of property, plant and equipment	(2,977)	(3,948)	(8,950)
Investment grants received	1,659	1,868	1,156
Investment in affiliated companies	(279)	(125)	-
Proceeds from sale of property, plant and equipment	218	499	422
Acquisition of Macro Clothing	-	300	(106)
	<u>(1,379)</u>	<u>(1,406)</u>	<u>(7,478)</u>
<u>Cash flows from financing activities:</u>			
Receipt of long-term bank loans	25,772	8,500	-
Repayment of long-term bank loans and other loans	(53,980)	(22,614)	(9,854)
Payments under capital lease	(1,831)	(1,691)	(1,488)
Short-term bank credit, net	(3,908)	14,506	(9,276)
Payment under issuance of shares to minority shareholders	(1,214)	-	-
Proceeds from issuance of shares to minority shareholders	12,358	-	-
Dividend paid to minority interest in subsidiary	-	(1,166)	(706)
Proceeds from issuance of shares and conditional obligation, net	-	-	19,704
	<u>(22,803)</u>	<u>(2,465)</u>	<u>(1,620)</u>
Net cash used in financing activities			
Increase (decrease) in cash and cash equivalents	1,664	(995)	(2,189)
Cash and cash equivalents at the beginning of the year	5,078	6,742	5,747
	<u>6,742</u>	<u>5,747</u>	<u>3,558</u>
Cash and cash equivalents at the end of the year			

Calculation of the EBITDA

Year ended December 31,  
(in thousands \$)

	<u>2004</u>	<u>2003</u>
Income (loss) before taxes on income (benefit)	-\$4,717	-\$2,059
Finance expenses ,net	5,212	5,628
Depreciation , amortization and impairment of propety, plant and equipment (see cash flow statement)	10,760	9,005
Amortization of deferred stock compensation (see cashflow statement)	554	
	<u>\$11,809</u>	<u>\$12,574</u>

Three months ended December 31,  
(in thousands \$)

	<u>2004</u>	<u>2003</u>
Income (loss) before taxes on income (benefit)	-\$4,269	-\$1,374
Finance expenses ,net	\$2,172	\$2,043
Depreciation , amortization and impairment of propety, plant and equipment	\$1,939	\$1,758
Amortization of deferred stock compensation	\$352	
	<u>\$194</u>	<u>\$2,427</u>