

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

	Three months ended		Year ended
	March 31,		December 31,
	2003	2002	2002
	Unaudited		
Sales	\$ 42,389	\$ 40,194	\$ 190,305
Cost of sales	34,212	33,064	151,385
Restructuring costs	-	-	1,550
Gross profit	8,177	7,130	37,370
Selling, general and administrative expenses	4,927	4,389	18,358
Restructuring costs	-	-	3,793
Operating income	3,250	2,741	15,219
Financial expenses, net	1,171	1,693	5,457
Other expenses (income), net	(125)	4	2,293
Income before taxes on income	2,204	1,044	7,469
Taxes on income	479	300	4,979
Income after income taxes	1,725	744	2,490
Equity in losses of affiliates	78	138	392
Minority interest in earnings of a subsidiary	633	-	822
Net income from ordinary activities	1,014	606	1,276
Cumulative effect of change in accounting principle	-	(18,774)	(18,774)
Net income (loss)	<u>\$ 1,014</u>	<u>\$ (18,168)</u>	<u>\$ (17,498)</u>
Income per share from ordinary activities	<u>\$ 0.08</u>	<u>\$ 0.05</u>	<u>\$ 0.10</u>
Loss per share from cumulative effect of change in accounting principles	<u>\$ -</u>	<u>\$ (1.51)</u>	<u>\$ (1.51)</u>
Basic and diluted net income (loss) per share	<u>\$ 0.08</u>	<u>\$ (1.46)</u>	<u>\$ (1.41)</u>

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	March 31,		December 31,
	2003	2002	2002
	Unaudited		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 5,854	3,517	\$ 6,742
Trade receivables, net	18,880	17,535	21,421
Other accounts receivable and prepaid expenses	5,060	12,582	5,459
Inventories	26,468	24,842	26,206
<u>Total</u> current assets	<u>56,262</u>	<u>58,476</u>	<u>59,828</u>
SEVERANCE PAY FUND	411	451	433
PROPERTY, PLANT AND EQUIPMENT, NET	<u>96,232</u>	<u>108,398</u>	<u>98,499</u>
OTHER ASSETS:			
Goodwill	30,743	*) 30,743	30,743
Deferred taxes	3,961	-	3,961
Investment in affiliated companies	500	379	354
Advance to supplier of fixed assets	1,428	963	1,374
Other	1,154	-	1,219
<u>Total</u> other assets	<u>37,786</u>	<u>32,085</u>	<u>37,651</u>
<u>Total</u> assets	<u>\$190,691</u>	<u>199,410</u>	<u>\$ 196,411</u>

*) Restated

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands, except share data

	March 31,		December 31,
	2003	2002	2002
	Unaudited		
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term bank credit	\$ 17,298	20,720	\$ 14,767
Current maturities of long-term debt:			
Bank	15,610	22,119	15,610
Capital leases and other loans	2,175	3,756	2,135
Trade payables	20,591	19,158	24,771
Other accounts payable and accrued expenses	7,852	6,064	8,712
<u>Total current liabilities</u>	<u>63,526</u>	<u>71,817</u>	<u>65,995</u>
LONG-TERM LIABILITIES:			
Bank loans	58,810	72,016	63,264
Capital leases and other loans	2,566	6,491	3,114
Deferred taxes	8,613	7,525	8,117
Accrued severance pay	2,208	2,125	2,123
<u>Total long-term liabilities</u>	<u>72,197</u>	<u>88,157</u>	<u>76,618</u>
MINORITY INTEREST	13,846	-	13,690
SHAREHOLDERS' EQUITY:			
Share capital -			
Ordinary shares of NIS 1 par value: Authorized: 50,000,000 shares at March 31, 2003 and December 31, 2002; Issued and outstanding: 13,409,566 shares at March 31, 2003 and December 31, 2002	5,575	5,575	5,575
Deferred shares of NIS 1 par value: Authorized, issued and outstanding: 4,500 shares at March 31, 2003 and December 31, 2002	1	1	1
Additional paid-in capital	62,810	62,810	62,810
Accumulated deficit	(19,856)	(21,542)	(20,870)
	48,530	46,844	47,516
Less - 997,400 Ordinary shares in treasury, at cost	(7,408)	(7,408)	(7,408)
<u>Total shareholders' equity</u>	<u>41,122</u>	<u>39,436</u>	<u>40,108</u>
<u>Total liabilities and shareholders' equity</u>	<u>\$ 190,691</u>	<u>\$ 199,410</u>	<u>\$ 196,411</u>