

Tel Aviv, 26 May, 2009

The Board of Directors,
Ashot Ashkelon Ltd.,
Ashkelon.

Dear Sirs,

Re: Interim Financial Statements as at March 31th 2009

We take pleasure in forwarding to you excerpts from the Interim Financial Statements of the Company which have been translated into English at your request.

The Translation was prepared on the basis of the Company's Interim Financial Statements in Hebrew, which were approved by the Board today.

Yours sincerely,

Barzily & Company
Certified Public Accountants
A Member of MSI Worldwide

Somekh Chaikin
Certified Public Accountants
A Member firm of KPMG
International

"ASHOT ASHKELON" INDUSTRIES LIMITED
INTERIM FINANCIAL STATEMENTS
AS AT MARCH 31, 2009

(UNAUDITED)

"ASHOT ASHKELON" INDUSTRIES LIMITED
INTERIM BALANCE SHEETS AS AT MARCH 31, 2009
NIS IN THOUSANDS

	<u>As at March 31</u>		<u>As at December 31</u>
	2009	2008	2008
CURRENT ASSETS	Unaudited		Audited
Cash and cash equivalents	53,773	23,846	42,327
Restricted Bank deposit	330	1,723	300
Trade receivables	63,049	59,271	(*) 58,686
Other accounts receivable	11,542	(*) 10,087	(*) 13,249
Inventory	129,318	98,868	123,327
	258,012	193,795	237,889
LONG-TERM ACCOUNTS RECEIVABLE	1,509	5,863	3,913
NON - CURRENT INVENTORY	8,797	11,448	8,390
BENEFITS TO EMPLOYEES, NET	152	6,880	-
FIXED ASSETS	90,696	(*) 81,149	(*) 85,403
INTANGIBLE ASSETS	4,209	1,920	3,461
	363,375	301,055	339,056

(*) Reclassified

_____ Avi Felder, Chairman of the Board of Directors

_____ Dan Katz, President

_____ Shalom. Bronstein, Vice President of Finance and Control

_____ 26 May, 2009
Date of Approval of Financial Statements

"ASHOT ASHKELON" INDUSTRIES LIMITED
INTERIM BALANCE SHEETS AS AT MARCH 31, 2009
NIS IN THOUSANDS

	<u>2009</u>	<u>As at March 31</u> <u>2008</u>	<u>As at December 31</u> <u>2008</u>
	<u>Unaudited</u>		<u>Audited</u>
CURRENT LIABILITIES			
Loans and Credits	5,796	8,611	9,380
Trade payables, subcontractors and renderers of services	32,109	36,186	30,134
Other accounts payable	69,402	(*) 45,772	58,390
	<u>107,307</u>	<u>90,569</u>	<u>97,904</u>
LONG-TERM LIABILITIES			
Debentures	82,604	79,128	82,858
Customer advances	73,708	(*) 42,657	(*) 68,328
Loans from Banks	3,780	-	-
Others long-term liabilities	5,142	1,910	4,473
Benefits to employees, net	-	-	909
	<u>165,234</u>	<u>23,695</u>	<u>156,568</u>
SHARE CAPITAL			
Outstanding share capital	86,780	86,780	86,780
Premium on shares	18,233	18,119	18,217
Re-evaluation fund	24,374	19,739	24,374
Perpetual liabilities	117,124	112,153	117,668
Accumulated losses	(155,677)	(150,000)	(162,455)
Total	<u>90,834</u>	<u>86,791</u>	<u>84,584</u>
	<u>363,375</u>	<u>301,055</u>	<u>339,056</u>

(*) Reclassified

"ASHOT ASHKELON" INDUSTRIES LIMITED
INTERIM STATEMENTS OF OPERATIONS
NIS IN THOUSANDS

	<u>For the Period</u> <u>of Three Months</u> <u>Ended March 31</u>		<u>For the Year</u> <u>Ended</u> <u>December 31</u>
	2009	2008	2008
	<u>Unaudited</u>		<u>Audited</u>
Sales	56,398	53,090	207,147
Cost of sales	(45,783)	(47,730)	(187,310)
Gross profit	<u>10,615</u>	<u>5,360</u>	<u>19,837</u>
Other income, net	60	409	2,686
Research, development and Manufacturing preparation expenses	(15)	(861)	(2,418)
Selling and marketing expenses	(1,054)	(1,242)	(5,447)
General and administrative expenses	(2,765)	(3,004)	(11,139)
Operating Profit	<u>6,841</u>	<u>662</u>	<u>3,519</u>
Financing incomes	3,904	3,652	2,232
Financing expenses	(4,511)	(6,106)	(14,483)
Financing expenses, net	<u>(607)</u>	<u>(2,454)</u>	<u>(12,251)</u>
Profit (Loss) before taxes	6,234	(1,792)	(8,732)
Taxes on income	-	-	-
Profit (Loss) For Period	<u>6,234</u>	<u>(1,792)</u>	<u>(8,732)</u>
Basic and Diluted Profit (Loss) per share: Net Profit (Loss)	<u>0.322</u>	<u>(*) (0.124)</u>	<u>(0.716)</u>

(*) Adjusted retroactively as a result of distribution of bonus shares.

"ASHOT ASHKELON" INDUSTRIES LIMITED
CONCISE INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
NIS IN THOUSANDS

	<u>For the Period</u> <u>of Three Months</u> <u>Ended March 31</u>		<u>For the Year</u> <u>Ended</u> <u>December 31</u> <u>2008</u>
	2009	2008	2008
	Unaudited		Audited
Income (Loss) for the period	6,234	(*) (1,792)	(*) (8,732)
Other components of comprehensive income (loss):			
Re-evaluation fund for fixed asset items	-	-	4,635
Total comprehensive income (loss) for the period	6,234	(1,792)	(4,097)

(*) The format of presentation for the Statement of Comprehensive Income (Loss) was changed as a result of initial implementation of IAS 1 (revised) in these financial statements.

"ASHOT ASHKELON" INDUSTRIES LIMITED
INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
NIS IN THOUSANDS

For the Period of Three Months Ended March 31, 2009 (Unaudited)

	Outstanding Share Capital	Premium On Shares	Capital from Transactions with Interested party	Re-evaluation fund	Perpetual Liabilities	Accumulated Losses	Total
Balance 1 January 2009	86,780	18,217	691	23,683	117,668	(162,455)	84,584
Comprehensive income for the period	-	-	-	-	-	6,234	6,234
Issue of shares	-	16	-	-	-	-	16
Accrued interest and linked difference on perpetual capital notes	-	-	-	-	(544)	544	-
Balance 31 March 2009	<u>86,780</u>	<u>18,233</u>	<u>691</u>	<u>23,683</u>	<u>117,124</u>	<u>(155,677)</u>	<u>90,834</u>

For the Period of Three Months Ended March 31, 2008 (Unaudited)

Balance 1 January 2008	86,354	18,119	691	19,048	111,334	(147,389)	88,157
Comprehensive loss for the period	-	-	-	-	-	(1,792)	(1,792)
Issuance of perpetual capital notes	-	-	-	-	819	(819)	-
Issue of shares	426	-	-	-	-	-	426
Balance 31 March 2008	<u>86,780</u>	<u>18,119</u>	<u>691</u>	<u>19,048</u>	<u>112,153</u>	<u>(150,000)</u>	<u>86,791</u>

For the Year Ended December 31, 2008 (Audited)

Balance 1 January 2008	86,354	18,119	691	19,048	111,334	(147,389)	88,157
Comprehensive loss for the period	-	-	-	4,635	-	(8,732)	(4,097)
Accrued interest and linked difference on perpetual capital notes	-	-	-	-	6,334	(6,334)	-
Issue of shares	426	98	-	-	-	-	524
Balance 31 December 2008	<u>86,780</u>	<u>18,217</u>	<u>691</u>	<u>23,683</u>	<u>117,668</u>	<u>(162,455)</u>	<u>84,584</u>

"ASHOT ASHKELON" INDUSTRIES LIMITED
INTERIM STATEMENTS OF CASH FLOWS
NIS IN THOUSANDS

	<u>For the Period</u> <u>of three Months</u> <u>Ended March 31</u>		<u>For the Year Ended</u> <u>December 31</u>
	<u>2009</u>	<u>2008</u>	<u>2008</u>
	<u>Unaudited</u>		<u>Audited</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Profit (Loss) for the period	6,234	(1,792)	(8,732)
Adjustments to reconcile net income to net cash provided by operating activities (Appendix A):	9,619	(*) 10,753	(*) 44,644
Interest received	189	174	758
Net Cash provided by Operating Activities	<u>16,042</u>	<u>9,135</u>	<u>36,670</u>
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Investment in intangible assets	(427)	(133)	(1,753)
Decrease (Increase) in investment deposit	(30)	554	1,977
Receipt of investment grant	-	1,905	2,276
Purchase of fixed assets	(6,547)	(*) (2,938)	(*) (10,680)
Proceeds from sale of fixed assets	60	-	302
Net Cash used in Investment Activities	<u>(6,944)</u>	<u>(612)</u>	<u>(7,878)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares	16	426	524
Receipt of long-term loans	6,539	-	4,596
Repayment of long-term loans	(672)	(461)	(2,259)
Short-term bank credits, net	(5,448)	(6,025)	(5,819)
Interest paid	(161)	(219)	(6,525)
Net Cash provided by (Used in) Financing Activities	<u>274</u>	<u>(6,279)</u>	<u>(9,483)</u>
Increase in cash and cash equivalents	9,372	2,244	19,309
Balance of cash and cash equivalents as at the beginning of the period	42,327	22,576	22,576
Effect of changes in representative exchange rate on cash balances	2,074	(974)	442
Balance of cash and cash equivalents as at the end of the period	<u>53,773</u>	<u>23,846</u>	<u>42,327</u>

(*) Reclassified

"ASHOT ASHKELON" INDUSTRIES LIMITED
INTERIM STATEMENTS OF CASH FLOWS
NIS IN THOUSANDS

	<u>For the Period</u> <u>of three Months</u> <u>Ended March 31</u>		<u>For the Year</u> <u>Ended</u> <u>December 31</u>
	2009	2008	2008
APPENDIX A	Unaudited		Audited
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
INCOME AND EXPENSES NOT RESULTING IN CASH FLOWS:			
Depreciation and amortization	2,062	1,953	8,253
Gain on sale of fixed assets	(60)	-	(244)
Erosion of long-term liabilities	446	(17)	311
Changes in benefits to employees	2,404	(2,925)	(972)
Adjustment of liabilities to debentures	(619)	65	3,398
Financing expenses, net	(1,737)	1,445	6,148
	2,496	521	16,894
CHANGES IN ASSET AND LIABILITY ITEMS:			
Increase in inventories	(6,398)	(8,337)	(29,738)
Decrease (Increase) in trade receivables	(4,363)	1,531	(*) 2,116
Decrease (Increase) in other receivables	1,707	(*) (4,231)	(*) (6,024)
Loss (gain) from derivatives	(1,343)	2,682	9,945
Increase in trade payables, subcontractors and renderers of services	846	7,464	1,513
Increase in long-term customer advances	5,380	(*) 7,686	(*) 33,357
Increase in other accounts payable	11,294	(*) 3,437	16,581
	7,123	10,232	27,750
	9,619	10,753	44,644

(*) Reclassified