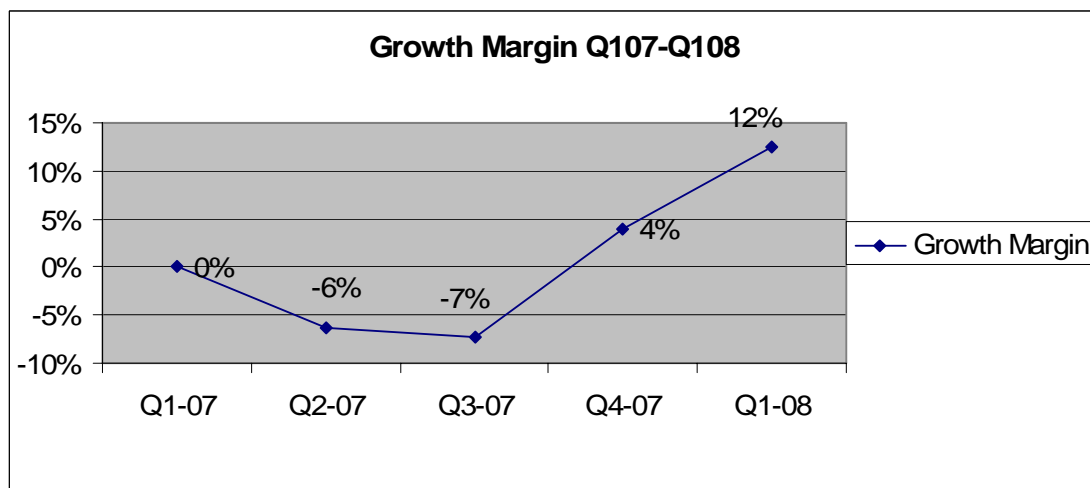




## **Electronics Line 3000 Announces the Results of the First Quarter of Year 2008**

Petach Tikvah, Israel (May 5, 2008) – Electronics Line 3000, a global leader in electronic security with remote management solutions, growth of 2% in revenues compared to the comparable quarter of last year and 12% compared to last quarter of 2007, and has successfully remained profitable from ongoing operations.

The following is a chart that represents the growth margin of the sales from the first quarter of 2007 to the reported period of 2008.



### **General**

We hereby submit the Directors' Report for the three month ended March 31, 2008 (the Reported Quarter) the comparable three months ended March 31, 2007 and for the year ended December 31, 2007.

### **Corporate Description and Business Environment**

The Company engages in the design, development, production, marketing and sale of electronic security with remote management solutions and complementary products for the mass residential and small commercial markets. These solutions can be monitored and enable remote management of the premises for security, automation, and video applications.

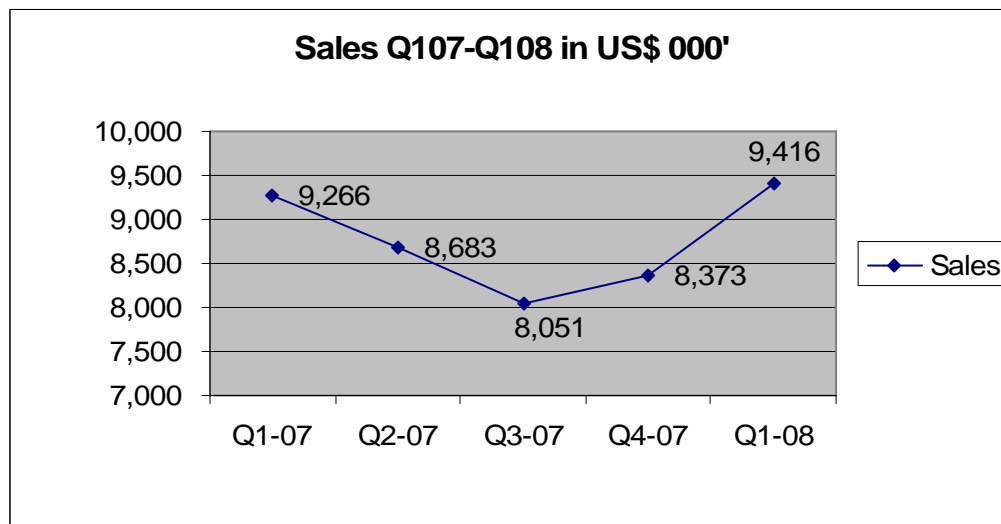


These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

### **General Results Review**

The Company's revenues in the Reported Quarter amounted to US\$ 9.4 million, compared to revenues of US\$ 9.3 million during the comparable quarter last year and to US\$ 34.4 million for the year ended December 31, 2007.

The following chart represents sales growth from the first quarter of 2007 to the reported period of 2008.



During the Reported Quarter gross margins were 39% compare to 40% during the comparable quarter of last year. The gross profit in the Reported Quarter amounted to US\$ 3.7 million compared to US\$ 3.7 million in the comparable quarter of the previous year and to US\$ 13.3 million for the fiscal year of 2007.

Significant changes in the exchange rates, mainly the devaluation of the US Dollar against the New Israeli Shekel, have influenced expenses and created much pressure on expenses in general and on the gross margin in particular. Despite this, the Company has been placing great efforts on maintaining the gross margin at its current level by taking the following actions:

- Focusing on profitable products
- Targeting high margin customers
- Controlling raw material costs
- Basing labor requirements on operational demands

Research and development costs and know-how, amounted to US\$ 914,000 compare to US\$ 452,000 in the comparable quarter of last year and US\$ 2.0 million for the whole year



of 2007. The increase in expenses is due to two main reasons: firstly, the strengthening of the R&D team with new, highly qualified staff, which will allow the Company to continue developing new solutions and remain at the forefront of the market, quickly reacting to emerging market demands. Secondly, a new Company policy, announced during the final quarter of 2007, to no longer capitalize R&D expenses. Q1 2008 was the first quarter in which these costs were expensed directly to the R&D expenses.

Sales and marketing expenses amounted to US\$ 1.9 million during the Reported Quarter, compared to US\$ 2.1 million for the comparable quarter of last year and to US\$ 8.7 million for 2007. The Company continues to develop and expand its marketing and sales capabilities with a focus on strategic customers.

General and administrative expenses amounted to US\$ 788,000 during the Reported Quarter, compared to US\$ 751,000 for the comparable quarter last year and to US\$ 2.6 million for 2007.

The Company's operating profit amounted to US\$ 65,000 during the Reported Quarter, compared to an operating profit of US\$ 439,000 in the comparable quarter of last year and to US\$ 6.1 million loss (US\$48,000 excluding the US\$6.1 million impairment of intangible assets) for 2007. The reduction in operating profit is mainly due to the significant devaluation of the US Dollar against the NIS, the expansion of the R&D team and funds invested in R&D that were partially capitalized in the past and expensed during the Reported Quarter.

Financing and other expenses, net amounted to US\$ 282,000 during the Reported Quarter, compared to US\$ 213,000 for the comparable quarter of last year and to US\$ 961,000 during 2007. The increase in expenses is mainly due to the strengthening of the New Israeli Shekel against the US Dollar and increased interest on loans. Part of these costs, as well as payments in NIS to local suppliers, have been hedged against the US Dollar from the middle of the Reported Quarter. Nevertheless the influence of the strengthening of all currencies against the US Dollar negatively influenced operating profit.

Loss before taxes on income amounted to US\$ 215,000 during the Reported Quarter, compared to US\$ 226,000 profit for the comparable quarter of last year and to a US\$ 7.5 million loss for 2007 (US\$ 1.4 million loss excluding the US\$ 6.1million expense of impairment of intangible assets).

Tax expenses amounted to US\$ 70,000 during the Reported Quarter, compared to US\$ 9,000 tax benefits for the comparable quarter of last year and to US\$ 194,000 for 2007.

The Company ended the Reported Quarter with a net loss of US\$ 285,000, compared to a US\$ 235,000 profit for the comparable quarter of last year and to US\$ 7.3 million loss (US\$1.1 million loss excluding the US\$6.1 million expense of impairment of intangible assets) for 2007.



### **The Company's Financial Position**

The Company's cash and cash equivalents as of March 31, 2008 (hereinafter: "the Reported Date") were US\$ 3.8 million, compared to US\$ 3.1 million on December 31, 2007.

The Company's trade receivables on the Reported Date were US\$ 7.7 million, compared to US\$ 8.3 million on December 31, 2007.

The Company's prepaid expenses, other accounts receivables, advance payments to suppliers and income tax receivables on the Reported Date were US\$ 1.7 million, compared to US\$1.3 million on December 31, 2007. The increase resulted mainly due to the increase in prepaid expenses.

The Company's inventories on the Reported Date were US\$ 7.6 million compared to US\$ 8.6 million on December 31, 2007.

Net investment in non-current assets, less amortization, on the Reported Date amounted to US\$ 5.7 million, and a US\$5.8 million investment on December 31, 2007, comprising of the following:

- Net investment in property, plant and equipment less amortization was US\$ 4.9 million on the Reported Date, compared to US\$ 5.0 million on December 31, 2007.
- Deferred taxes were US\$ 788,000 as of the Reported Date, with the same investment on December 31, 2007.
- Security deposits were US\$ 85,000 as of the Reported Date, with the same investment on December 31, 2007.

The short term credit balance from banks and others on the Reported Date, amounted to US\$ 10.3 million, compared to US\$ 9.8 million on December 31, 2007.

The Company's trade payables as of the Reported Date were US\$ 3.5 million, compared to US\$ 4.1 million on December 31, 2007.

Other current liabilities, accrued expenses and income tax payable were US\$ 2.4 million on the Reported Date compared to US\$ 2.8 million on December 31, 2007. The decrease results mainly from a final payment of \$637,500 to Metis Capital, arising from a compromise agreement, which was agreed in May 2006. This was the final payment the Company paid out of a total of \$2,550,000.



Long term loans were US\$ 92,000 on the Reported Date compared to US\$ 85,000 on December 31, 2007.

### **Financial Ratios**

	<b>March 31, 2008</b>	<b>December 31, 2007</b>
Current Ratio	1.3	1.3
Quick Ratio	0.8	0.8

### **Cash Flow**

During the Reported Quarter, net cash provided by operating activities was US\$ 493,000 compared to US\$ 1.9 million used in operating activities during the comparable quarter of last year and US\$974,000 used during the entire year of 2007. Most of the increase in cash provided by operating activities derives from the decrease in inventories, an increase in current liabilities and a decrease in trade receivables. The Company also succeeded in generating cash despite the final payment of \$637,500 to Metis Capital, arising from the compromise agreement, settlement of which was agreed upon in May 2006. With this final payment Electronics Line 3000 has now completely settled the agreed amount of \$2,550,000, therefore eliminating this cash flow drain in the future.

During the Reported Quarter, the Company directed US\$ 128,000 towards investment activities, compared to US\$ 230,000 during the comparable quarter last year and to US\$ 1.5 million during the entire year of 2007.

During the Reported Quarter, cash provided by financing activities amounted to US\$ 314,000, compared to US\$ 2.0 million during the comparable quarter last year and to US\$ 2.7 million that was provided in financing activities during the fiscal year of 2007.



Electronics Line 3000 Ltd.

**Security & Beyond**

2 Granit St., P.O.B. 3253 Kiryat Arie Petah Tikva 49130 Israel  
Tel: (+972-3) 918-1333, Fax: (+972-3) 921-2225, [www.electronics-line.com](http://www.electronics-line.com)

### **Financing Sources**

Shareholders' equity as of March 31, 2008 amounted to US\$ 9.4 million, a ratio of 35.3% to the total balance sheet, compared to US\$ 9.7 million and 35.6%, respectively, as of December 31, 2007.

On March 31, 2008, short and long terms credit from banks and other creditors designated for financing working capital and investments in fixed assets and rental property was US\$ 16.4 million, compared to a credit balance of US\$ 16.8 million on December 31, 2007.

\_\_\_\_\_  
Amir Hayek  
President & CEO

\_\_\_\_\_  
Bob Marbut  
Chairman of the Board

Petach Tikva, May 5, 2008

**ELECTRONICS LINE 3000 LTD.**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF MARCH 31, 2008**

**U. S. DOLLARS IN THOUSANDS**

**UNAUDITED**

**INDEX**

	<u>Page</u>
<b>Consolidated Balance Sheets</b>	<b>2</b>
<b>Consolidated Statements of Operations</b>	<b>3</b>
<b>Consolidated Statements of Changes in Equity</b>	<b>4</b>
<b>Consolidated Statements of Cash Flows</b>	<b>5</b>
<b>Notes to Interim Consolidated Financial Statements</b>	<b>6 - 7</b>

-----

## CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	March 31,		December 31,
	2008	2007	2007
	Unaudited		Audited
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	3,794	2,774	3,128
Trade receivables	7,702	10,543	8,295
Income tax receivable	251	186	225
Prepaid expenses	780	375	416
Advances to suppliers	171	219	187
Other accounts receivable	481	413	440
Inventories	7,641	7,494	8,611
<u>Total current assets</u>	<u>20,820</u>	<u>22,004</u>	<u>21,302</u>
<b>NON CURRENT ASSETS:</b>			
Property, plant and equipment:			
Cost	14,471	13,859	14,397
Less - accumulated depreciation	9,610	8,572	9,441
	4,861	5,287	4,956
Intangible assets, net	-	5,608	-
Deferred taxes	788	421	788
Security deposits	85	110	85
<u>Total non current assets</u>	<u>5,734</u>	<u>11,426</u>	<u>5,829</u>
<u>Total assets</u>	<u>26,554</u>	<u>33,430</u>	<u>27,131</u>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Short-term credit from banks and others	10,338	5,357	9,832
Trade payables	3,557	4,574	4,102
Accrued expenses	358	208	283
Income tax payable	267	103	201
Other current liabilities	1,818	1,905	2,350
<u>Total current liabilities</u>	<u>16,338</u>	<u>12,147</u>	<u>16,768</u>
<b>LONG-TERM LIABILITIES:</b>			
Bank loans	92	3,600	85
Accrued severance pay, net	738	590	612
<u>Total long-term liabilities</u>	<u>830</u>	<u>4,190</u>	<u>697</u>
<b>EQUITY:</b>			
Share capital	10,933	10,933	10,933
Additional paid-in capital	6,541	6,493	6,535
Foreign currency translation reserve	2,167	2,128	2,191
Hedges reserves	23	-	-
Accumulated deficit	(10,278)	(2,461)	(9,993)
<u>Total equity</u>	<u>9,386</u>	<u>17,093</u>	<u>9,666</u>
<u>Total liabilities and equity</u>	<u>26,554</u>	<u>33,430</u>	<u>27,131</u>

The accompanying notes are an integral part of the interim consolidated financial statements.

May 4, 2008

Date of approval of the financial statements	Bob Marbut Chairman of the Board	Amir Hayek President and CEO	Shirly Gavriely VP Finance
--	-------------------------------------	---------------------------------	-------------------------------

**CONSOLIDATED STATEMENTS OF OPERATIONS**

U.S. dollars in thousands, except per share data

	Three months ended		Year ended
	March 31,		December 31,
	2008	2007	2007
	Unaudited		Audited
Revenues	9,416	9,266	34,373
Cost of revenues	5,701	5,543	21,041
Gross profit	3,715	3,723	13,332
Operating costs and expenses:			
Research and development	914	452	1,981
Selling and marketing	1,948	2,081	8,656
General and administrative	788	751	2,648
Impairment of intangible assets	-	-	6,130
<u>Total operating costs and expenses</u>	3,650	3,284	19,415
Operating profit (loss)	65	439	(6,083)
Financial income	14	10	123
Financial expenses	(296)	(226)	(1,083)
Other income (expenses), net	2	3	(448)
Profit (loss) before taxes on income	(215)	226	(7,491)
Taxes on income (tax benefit)	70	(9)	(194)
Net profit (loss)	(285)	235	(7,297)
Net earnings (loss) per share (basic and diluted)	(0.03)	0.02	(0.72)

The accompanying notes are an integral part of the interim consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

U.S. dollars in thousands

Three months ended March 31, 2008 (unaudited)							
	Share capital	Additional paid-in capital	Foreign currency translation reserve	Hedges reserves	Accumulated deficit	Total equity	Total recognized income (expenses)
Balance at the beginning of the period (audited)	10,933	6,535	2,191	-	(9,993)	9,666	
Net gains on cash flow hedges	-	-	-	23	-	23	23
Cost of share-based payments	-	6	-	-	-	6	
Foreign currency translation differences	-	-	(24)	-	-	(24)	(24)
Loss	-	-	-	-	(285)	(285)	(285)
Balance at the end of the period	<u>10,933</u>	<u>6,541</u>	<u>2,167</u>	<u>23</u>	<u>(10,278)</u>	<u>9,386</u>	<u>(286)</u>

Three months ended March 31, 2007 (unaudited)						
	Share capital	Additional paid-in capital	Foreign currency translation reserve	Accumulated deficit	Total equity	Total recognized income (expenses)
Balance at the beginning of the period (audited)	10,895	6,396	2,137	(2,696)	16,732	
Exercise of options	38	45	-	-	83	
Cost of share-based payments	-	52	-	-	52	
Foreign currency translation differences	-	-	(9)	-	(9)	(9)
Net profit	-	-	-	235	235	235
Balance at the end of the period	<u>10,933</u>	<u>6,493</u>	<u>2,128</u>	<u>(2,461)</u>	<u>17,093</u>	<u>226</u>

Year ended December 31, 2007 (audited)						
	Share capital	Additional paid-in capital	Foreign currency translation reserve	Accumulated deficit	Total equity	Total recognized income (expenses)
Balance as of January 1, 2007	10,895	6,396	2,137	(2,696)	16,732	
Exercise of options	38	45	-	-	83	
Cost of share-based payments	-	94	-	-	94	
Foreign currency translation differences	-	-	54	-	54	54
Loss	-	-	-	(7,297)	(7,297)	(7,297)
Balance as of December 31, 2007	<u>10,933</u>	<u>6,535</u>	<u>2,191</u>	<u>(9,993)</u>	<u>9,666</u>	<u>(7,243)</u>

The accompanying notes are an integral part of the interim consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

U.S. dollars in thousands

	March 31,		December 31,
	2008	2007	2007
	Unaudited		Audited
<u>Cash flows from operating activities:</u>			
Profit (loss) before taxes on income	(215)	226	(7,491)
Adjustments for:			
Depreciation and amortization	225	297	1,343
Impairment of intangible assets	-	-	6,130
Loss (gain) on sale of property, plant and equipment	(2)	1	1
Increase in accrued severance pay	126	60	82
Cost of share-based payments	6	52	94
Financial expenses, net	282	216	960
Operating cash flows before working capital changes	422	852	1,119
Decrease (increase) in trade receivables	578	(762)	1,547
Increase in prepaid expenses and other accounts receivable	(369)	(187)	(221)
Decrease (increase) in inventories	947	(483)	(1,530)
Increase in security deposits	-	-	25
Decrease in trade payables	(545)	(82)	(592)
Increase (decrease) in accrued expenses	75	(361)	(289)
Decrease in other current liabilities	(502)	(772)	(379)
	184	(2,647)	(1,439)
Cash provided by (used in) operations	606	(1,795)	(320)
Interest received	2	10	29
Interest paid	(92)	(125)	(548)
Income taxes received	-	5	5
Income taxes paid	(27)	(16)	(139)
Net cash provided by (used in) operating activities	489	(1,921)	(973)
<u>Cash flows from investing activities:</u>			
Acquisition of intangible assets	-	(178)	(880)
Acquisition of property, plant and equipment	(143)	(76)	(609)
Proceeds from sale of equipment	15	24	24
Net cash used in investing activities	(128)	(230)	(1,465)
<u>Cash flows from financing activities:</u>			
Proceeds from exercise of options	-	83	83
Increase (decrease) in short-term bank credit, net	714	2,439	(66)
Repayment of loan from shareholders	-	-	(150)
Receipt of long-term loans from banks and others	-	-	4,077
Repayment of long-term loans from banks	(400)	(500)	(1,300)
Net cash provided by financing activities	314	2,022	2,644
<u>Effect of exchange differences on cash and cash equivalents of foreign operation</u>			
	(9)	(3)	16
Increase (decrease) in cash and cash equivalents	666	(132)	222
Cash and cash equivalents at beginning of period	3,128	2,906	2,906
Cash and cash equivalents at end of period	3,794	2,774	3,128

The accompanying notes are an integral part of the interim consolidated financial statements.

**ELECTRONICS LINE 3000 LTD.**

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

---

**NOTE 1:- GENERAL**

- a. These interim consolidated financial statements have been prepared in a condensed format as of March 31, 2008 and for the three months then ended. These financial statements should be read in conjunction with the Company's annual consolidated financial statements and accompanying notes as of December 31, 2007 ("the annual financial statements").
- b. Following are data about the representative exchange rate of the U.S. dollar in relation to the New Israeli Shekel ("NIS"), Euro and the GBP:

<u>As of</u>	<u>Exchange rate of 1 NIS</u>	<u>Exchange rate of 1 € \$</u>	<u>Exchange rate of 1 GBD</u>
March 31, 2008	0.28	1.58	1.99
March 31, 2007	0.24	1.33	1.96
December 31, 2007	0.26	1.47	2.04
<u>Change during the period ended</u>	<u>%</u>	<u>%</u>	<u>%</u>
March 2008 (three months)	7.7	7.5	(2.5)
March 2007 (three months)	1.7	0.8	-
December 2007 (12 months)	9.7	11.4	4.1

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES**

- a. The interim consolidated financial statements for the three months ended March 31, 2008 have been prepared in accordance with IAS 34 Interim Financial Reporting. The significant accounting policies and methods of computations applied in the preparation of the interim financial statements are consistent with those applied in the annual financial statements, except for b. below.
- b. Derivative financial instruments and hedging:

The Group uses derivative financial instruments such as forward currency contracts and options to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to profit or loss.

The fair value of forward currency contracts is calculated and options by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

**ELECTRONICS LINE 3000 LTD.**

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

---

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

Cash flow hedges:

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in profit or loss.

Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

**NOTE 3: - GEOGRAPHICAL SEGMENTS**

a. General:

The Group operates in one business segment of electronic security with remote management solutions and complementary products.

The Group companies operate in two principal geographical segments according to IAS 14: Europe and the United States.

b. Information about geographical segments:

	<u>Europe</u>	<u>U.S.</u>	<u>Other countries</u>	<u>Adjustments</u>	<u>Total - consolidated</u>
	<u>U.S. dollars in thousands</u>				
<b>Three months ended March 31, 2008 (unaudited)</b>					
Segment revenues	7,371	1,640	947	(542)	9,416
Segment results	1,485	(237)	164	*) (1,347)	65
<b>Three months ended March 31, 2007 (unaudited)</b>					
Segment revenues	6,230	2,120	1,691	(775)	9,266
Segment results	1,261	28	131	*) (981)	439
<b>Year ended December 31, 2007 (audited)</b>					
Segment revenues	24,373	8,154	4,489	(2,643)	34,373
Segment results	3,569	(29)	186	*) (9,809)	(6,083)

\*) Including expenses not allocated to segments.