



Electronics Line 3000 announces the results of the First Quarter of Year 2009

Petach Tikvah, Israel (May 26, 2009) – Electronics Line 3000, a global leader in electronic security with remote management solutions, achieved positive cash flow in Q1 2009 from operating activities. Nevertheless the Company has decided to take a conservative approach due to internal and external challenges.

General

We hereby submit the Directors' Report for the three month ended March 31, 2009 (the "Reported Quarter") the comparable three months ended March 31, 2008 and for the year ended December 31, 2008 ("Reported Year").

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 is facing internal and external challenges due to the recent developments in the global economy. These global economic developments have affected the Company, its customers and suppliers and introduced new challenges for the Company's 2009 performances and results.

The Company's US subsidiary ("ELUSA") has been undergoing a transition phase severely influencing the Company's 2008 and first quarter of 2009 results as well as the US subsidiary's cash and cash-flow situation. The Company is taking the necessary measures to address this issue and prevent further losses. As part of these measures, during Q2 2009 ELUSA entered into an agreement with a local U.S.-based service provider to spin out ELUSA's non-core products such as the DVRs and CCTV.



The service provider will continue ELUSA's activities within industry areas that are not among the main areas serviced by Electronics Line 3000, continue to support existing customers, sell the inventory and collect account receivables on behalf of ELUSA (with a commission to the service provider). As such, Electronics Line 3000 and its US subsidiary will be able to cut down operational costs and focus on marketing mainly Electronics Line 3000 products such as the infinite and iConnect family lines.

In light of the global situation, the Company has been implementing an efficiency plan from December 1st 2008, which will mainly influence results from the second quarter of 2009 onwards.

The Company's revenues in the Reported Quarter amounted to US\$ 6.2 million, compared to revenues of US\$ 9.4 million during the comparable quarter last year and to US\$ 36.4 million for the year ended December 31, 2008. The Q1 reduction in sales is mainly a result of the US subsidiary performance and the devaluation of the British Pound against the US Dollar.

	Q1	
	2009	2008
IL	3,918	5,359
UK	1,531	2,458
USA	731	1,599
Total	6,180	9,416

During the Reported Quarter gross margins were 34% compare to 39% during the comparable quarter of last year.

The gross profit in the Reported Quarter amounted to US\$ 2.1 million compared to US\$ 3.7 million in the comparable quarter of the previous year and to US\$ 13.1 million for the fiscal year of 2008.

Research and development costs and know-how, amounted to US\$ 564,000 compare to US\$ 914,000 in the comparable quarter of last year and US\$ 3.6 million for the whole year of 2008. The reduction in Research and Development costs is mainly due to the efficiency plan implemented since 01.12.2008 and the completion of several R&D projects from 2008. Nevertheless the company is focusing on developing new products and services that will help the Company to remain an innovation leader in its markets.

Sales and marketing expenses amounted to US\$ 1.3 million during the Reported Quarter, compared to US\$ 1.9 million for the comparable quarter of last year and to US\$ 7.4 million for 2008. The Company continues to develop and expand its marketing and sales capabilities with a focus on strategic customers, while at the same time, providing more marketing and technical support to existing customers due to the tough economic situation in certain countries.



General and administrative expenses amounted to US\$ 675,000 during the Reported Quarter, compared to US\$ 788,000 for the comparable quarter last year and to US\$ 3.3 million for 2008.

The Company's operating loss amounted to US\$ 391,000 during the Reported Quarter, compared to an operating profit of US\$ 65,000 in the comparable quarter of last year and to US\$ 1.2 million loss for 2008. 66% of the Company's first quarter operating loss derives from the U.S operations.

Financing and other expenses, net amounted to US\$ 262,000 during the Reported Quarter, compared to US\$ 282,000 for the comparable quarter of last year and to US\$ 1.0 million during 2008.

Part of these costs, as well as payments in NIS to local suppliers, has been hedged against the US Dollar. Nevertheless the influence of the strengthening of all currencies against the US Dollar negatively influenced operating loss.

Loss before taxes on income amounted to US\$ 653,000 during the Reported Quarter, compared to US\$ 215,000 for the comparable quarter of last year and to a US\$ 2.2 million loss for 2008.

Tax expenses amounted to US\$ 62,000 during the Reported Quarter, compared to US\$ 70,000 for the comparable quarter of last year and to US\$ 704,000 for 2008.

The Company ended the Reported Quarter with a net loss of US\$ 715,000, compared to a US\$ 285,000 for the comparable quarter of last year and to US\$ 2.9 million loss for 2008.

Move from Prime Standard to General Standard

Following the Board resolution dated February 8th 2009 to move from the Prime Standard to the General Standard, the Deutsche Bourse has announced Electronics Line 3000's revocation from the Prime Standard on March 17th 2009.

The revocation does not affect the admission to the regulated market (General Standard). It has the objective of reducing the costs and the administration efforts associated with the listing and will take effect three months after the announcement of the revocation by the executive of the German Stock Exchange on the internet at www.deutsche-boerse.com. i.e – on June 18th 2009.

On June 18th 2009, all Electronics Line 3000 shares will be traded on the General Standard for the first time.



The Company's Financial Position

The Company's cash and cash equivalents as of March 31, 2009 (hereinafter: "the Reported Date") were US\$ 1.6 million, compared to US\$ 2.3 million on December 31, 2008.

The Company's trade receivables on the Reported Date were US\$ 4.1 million, compared to US\$ 6.6 million on December 31, 2008.

The Company's prepaid expenses, other accounts receivables, advance payments to suppliers and income tax receivables on the Reported Date were US\$ 1.5 million, compared to US\$1.4 million on December 31, 2008.

The Company's inventories on the Reported Date were US\$ 5.9 million compared to US\$ 6.6 million on December 31, 2008.

Net investment in non-current assets, less amortization, on the Reported Date amounted to US\$ 4.6 million, and a US\$4.7 million investment on December 31, 2008, comprising of the following:

- Net investment in property, plant and equipment less amortization was US\$ 4.4 million on the Reported Date, with the same investment on December 31, 2008.
- Deferred taxes were US\$ 221,000 as of the Reported Date, compared to US\$ 215,000 on December 31, 2008.
- Security deposits were US\$ 86,000 as of the Reported Date, with the same investment on December 31, 2008.

The short term credit balance from banks and others on the Reported Date amounted to US\$ 7.1 million, compared to US\$ 8.1 million on December 31, 2008.

The Company's trade payables as of the Reported Date were US\$ 2.6 million compared to US\$ 4.0 million on December 31, 2008.

Other current liabilities, accrued expenses and income tax payable were US\$ 2.4 million, compared to US\$ 2.5 million on December 31, 2008.

Long term loans were US\$ 201,000 on the Reported Date compared to US\$ 77,000 on December 31, 2008.

Financial Ratios

	March 31, 2009	December 31, 2008
Current Ratio	1.1	1.1
Quick Ratio	0.6	0.7



Cash Flow

During the Reported Quarter, net cash provided by operating activities was US\$ 602,000 compared to US\$ 489,000 provided by operating activities during the comparable quarter of last year and US\$ 1.8 million provided during the entire year of 2008. Most of the increase in cash provided by operating activities derives from the decrease in inventories, a decrease in current liabilities and a decrease in trade receivables.

During the Reported Quarter, the Company directed US\$ 186,000 towards investment activities, compared to US\$ 128,000 during the comparable quarter last year and to US\$ 365,000 during the entire year of 2008.

During the Reported Quarter, cash used in financing activities amounted to US\$ 1.1 million, compared to US\$ 314,000 during the comparable quarter last year and to US\$ 2.1 million used in financing activities during the fiscal year of 2008.

Financing Sources

Shareholders' equity as of March 31, 2009 amounted to US\$ 5.0 million, a ratio of 27.8% to the total balance sheet, compared to US\$ 5.9 million and 27.5%, respectively, as of December 31, 2008.

On March 31, 2009, 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\$ 7.3 million, compared to a credit balance of US\$ 8.2 million on December 31, 2008.

Amir Hayek
President & CEO

Bob Marbut
Chairman of the Board

Petach Tikva, May 26, 2009

ELECTRONICS LINE 3000 LTD.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2009

U. S. DOLLARS IN THOUSANDS

UNAUDITED

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CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	<u>March 31,</u>		<u>December 31,</u>
	<u>2009</u>	<u>2008</u>	<u>2008</u>
	<u>Unaudited</u>		<u>Audited</u>
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	1,616	3,794	2,297
Trade receivables	4,136	7,702	6,529
Income tax receivable	217	251	291
Prepaid expenses	832	780	691
Advances to suppliers	158	171	112
Other accounts receivable	296	481	331
Inventories	5,886	7,641	6,552
<u>Total current assets</u>	<u>13,141</u>	<u>20,820</u>	<u>16,803</u>
NON CURRENT ASSETS:			
Property, plant and equipment:			
Cost	14,845	14,471	14,664
Less - accumulated depreciation	10,472	9,610	10,258
	4,373	4,861	4,406
Deferred taxes	221	788	215
Security deposits	86	85	86
<u>Total non current assets</u>	<u>4,680</u>	<u>5,734</u>	<u>4,707</u>
<u>Total assets</u>	<u>17,821</u>	<u>26,554</u>	<u>21,510</u>

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

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	<u>March 31,</u>		<u>December 31,</u>
	<u>2009</u>	<u>2008</u>	<u>2008</u>
	<u>Unaudited</u>		<u>Audited</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term credit from banks	7,080	10,338	8,141
Trade payables	2,552	3,557	4,096
Accrued expenses	324	358	518
Income tax payable	110	267	98
Other current liabilities	1,954	1,818	1,888
<u>Total current liabilities</u>	<u>12,020</u>	<u>16,338</u>	<u>14,741</u>
LONG-TERM LIABILITIES:			
Bank loans	201	92	77
Accrued severance pay, net	637	738	776
<u>Total long-term liabilities</u>	<u>838</u>	<u>830</u>	<u>853</u>
EQUITY:			
Share capital	10,933	10,933	10,933
Additional paid-in capital	6,613	6,541	6,610
Foreign currency translation reserve	1,270	2,167	1,300
Hedge reserve	(196)	23	15
Accumulated deficit	(13,657)	(10,278)	(12,942)
<u>Total equity</u>	<u>4,963</u>	<u>9,386</u>	<u>5,916</u>
<u>Total liabilities and equity</u>	<u>17,821</u>	<u>26,554</u>	<u>21,510</u>

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

<u>May 26, 2009</u>	<u>Bob Marbut</u>	<u>Amir Hayek</u>	<u>Shirly Gavriely</u>
Date of approval of the financial statements	Chairman of the Board	President and CEO	VP Finance

CONSOLIDATED STATEMENTS OF INCOME

U.S. dollars in thousands, except share data

	Three months ended		Year ended
	March 31,		December 31,
	2009	2008	2008
	Unaudited		Audited
Revenues	6,197	9,416	36,435
Cost of revenues	4,092	5,701	23,366
Gross profit	2,105	3,715	13,069
Operating costs and expenses:			
Research and development	564	914	3,608
Selling and marketing	1,257	1,948	7,403
General and administrative	675	788	3,262
<u>Total operating costs and expenses</u>	<u>2,496</u>	<u>3,650</u>	<u>14,273</u>
Operating profit (loss)	(391)	65	(1,204)
Financial income	129	14	100
Financial expenses	(391)	(296)	(1,143)
Other income, net	-	2	2
Loss before taxes on income	(653)	(215)	(2,245)
Taxes on income	62	70	704
Loss	<u>(715)</u>	<u>(285)</u>	<u>(2,949)</u>
Loss per share (basic and diluted)	<u>(0.07)</u>	<u>(0.03)</u>	<u>(0.29)</u>

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

U.S. dollars in thousands

	Three months ended		Year ended
	March 31,		December 31,
	2009	2008	2008
	Unaudited		Audited
Loss	(715)	(285)	(2,949)
Exchange differences of translation of foreign operations	(30)	(24)	(891)
Net gain (loss) on cash flow hedges	<u>(211)</u>	<u>23</u>	<u>15</u>
Total comprehensive loss	<u><u>(956)</u></u>	<u><u>(286)</u></u>	<u><u>(3,825)</u></u>

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

U.S. dollars in thousands

	Three months ended March 31, 2009 (unaudited)					
	Share capital	Additional paid-in capital	Foreign currency translation reserve	Hedges reserves	Accumulated deficit	Total equity
Balance as of January 1, 2009 (audited)	10,933	6,610	1,300	15	(12,942)	5,916
Cost of share-based payments	-	3	-	-	-	3
Total comprehensive loss	-	-	(30)	(211)	(715)	(956)
Balance as of March 31, 2009	<u>10,933</u>	<u>6,613</u>	<u>1,270</u>	<u>(196)</u>	<u>(13,657)</u>	<u>4,963</u>

	Three months ended March 31, 2008 (unaudited)					
	Share capital	Additional paid-in capital	Foreign currency translation reserve	Hedges reserves	Accumulated deficit	Total equity
Balance as of January 1, 2008 (audited)	10,933	6,535	2,191	-	(9,993)	9,666
Cost of share-based payments	-	6	-	-	-	6
Total comprehensive loss	-	-	(24)	23	(285)	(286)
Balance as of March 31, 2008	<u>10,933</u>	<u>6,541</u>	<u>2,167</u>	<u>23</u>	<u>(10,278)</u>	<u>9,386</u>

	Year ended December 31, 2008 (audited)					
	Share capital	Additional paid-in capital	Foreign currency translation reserve	Hedge reserves	Accumulated deficit	Total equity
Balance as of January 1, 2008	10,933	6,535	2,191	-	(9,993)	9,666
Cost of share-based payments	-	75	-	-	-	75
Total comprehensive loss	-	-	(891)	15	(2,949)	(3,825)
Balance as of December 31, 2008	<u>10,933</u>	<u>6,610</u>	<u>1,300</u>	<u>15</u>	<u>(12,942)</u>	<u>5,916</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	<u>March 31,</u>		<u>December 31,</u>
	<u>2009</u>	<u>2008</u>	<u>2008</u>
	<u>Unaudited</u>		<u>Audited</u>
<u>Cash flows from operating activities:</u>			
Loss before taxes on income	(653)	(215)	(2,245)
Adjustments for:			
Depreciation and amortization	217	225	896
Gain on sale of property, plant and equipment	-	(2)	-
Increase (decrease) in accrued severance pay	(139)	126	164
Cost of share-based payments	3	6	75
Financial expenses, net	262	282	1,043
Operating cash flows before working capital changes	(310)	422	(67)
Decrease in trade receivables	2,355	578	1,039
Increase in prepaid expenses and other accounts receivable	(312)	(369)	(77)
Decrease in inventories	629	947	1,407
Increase in security deposits	-	-	(1)
Decrease in trade payables	(1,544)	(545)	(5)
Increase (decrease) in accrued expenses	(194)	75	235
Increase (decrease) in other current liabilities	106	(502)	231
	1,040	184	2,829
Cash provided by operations	730	606	2,762
Interest received	2	2	11
Interest paid	(115)	(92)	(630)
Income taxes received	-	-	132
Income taxes paid	(16)	(27)	(431)
Net cash provided by operating activities	601	489	1,844
<u>Cash flows from investing activities:</u>			
Acquisition of property, plant and equipment	(186)	(143)	(381)
Proceeds from sale of equipment	-	15	16
Net cash used in investing activities	(186)	(128)	(365)
<u>Cash flows from financing activities:</u>			
Receipt of long-term loans	134	-	-
Increase (decrease) in short-term bank credit, net	(588)	714	(472)
Repayment of long-term loans from banks	(624)	(400)	(1,642)
Net cash provided by (used in) financing activities	(1,078)	314	(2,114)
<u>Effect of exchange differences on cash and cash equivalents of foreign operation</u>			
	(18)	(9)	(196)
Increase (decrease) in cash and cash equivalents	(681)	666	(831)
Cash and cash equivalents at beginning of period	2,297	3,128	3,128
Cash and cash equivalents at end of period	1,616	3,794	2,297

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**NOTE 1:- GENERAL**

- a. These interim consolidated financial statements have been prepared in a condensed format as of March 31, 2009 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, 2008 ("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 NIS 1</u>	<u>Exchange rate of €1 \$</u>	<u>Exchange rate of £ 1</u>
March 31, 2009	0.24	1.33	1.43
March 31, 2008	0.28	1.58	1.99
December 31, 2008	0.26	1.39	1.45
<u>Change during the period ended</u>	<u>%</u>	<u>%</u>	<u>%</u>
March 2009 (3 months)	(7.7)	(4.3)	(1.3)
March 2008 (3 months)	7.7	7.5	(2.5)
December 2008 (12 months)	(1.1)	(5.4)	(28.9)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements are prepared in accordance with the principles set forth in IAS 34 "Interim Financial Report".

The significant accounting policies and methods of computation adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the annual financial statements, except for the noted below:

IAS 1 (Revised) - Presentation of Financial Statements:

IAS 1 (Revised) introduces an additional statement, "statement of comprehensive income". The statement may be presented as a separate statement which includes net income and all items carried in the reported period directly to equity that do not result from transactions with the shareholders in their capacity as shareholders (other comprehensive income) and the tax effect of these items carried directly to equity, with allocation between the Company and the minority interests. Alternatively, the items of other comprehensive income may be displayed along with the items of the statement of income in a single statement entitled "statement of comprehensive income" which replaces the statement of income, while properly allocated between the Company and the minority interests. Items carried to equity resulting from transactions with the shareholders in their capacity as shareholders (such as capital issues, dividend distribution etc.) will be disclosed in the statement of changes in equity as will the summary line carried forward from the statement of comprehensive income, with allocation between the Company and the minority interests.

IAS 1 (Revised) also requires entities to present a balance sheet as of the beginning of the comparative period when the entity has applied an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in the annual financial statements.

The revision was adopted on January 1, 2009 with a retrospective restatement of comparative figures.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)*IFRS 2 - Share-based Payment:*

Pursuant to an amendment to IFRS 2, the definition of vesting terms will only include service conditions and performance conditions and the cancellation of a grant that includes non-vesting conditions by the Company or the counterparty, will be accounted for by way of acceleration of vesting and not by forfeiture.

Conditions that are other than service and performance conditions will be viewed as non-vesting conditions and must therefore be taken into account when estimating the fair value of the instrument granted.

This amendment was adopted on January 1, 2009. The initial adoption of the Standard did not have any material effect on the interim consolidated financial statements.

IFRS 8 - Operating Segments:

IFRS 8 ("the Standard") deals with operating segments and replaces IAS 14. According to the Standard, the Company adopted a management approach in reporting on the financial performance of the operating segments. The segment information is the information that is internally used by management in order to assess its performance and allocate resources to the operating segments.

The Company adopted the provisions of IFRS 8 on January 1, 2009 with a retrospective restatement of comparative figures.

NOTE 3: - OPERATING SEGMENTS

a. General:

The Group operates in two operating segments: Europe and United States.

Management monitors the operating results of its geographical units separately for the purpose of making decision about resource allocation and performance assessment. Segment performance is evaluated based on segment profit. Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: - OPERATING SEGMENTS (Cont.)

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>				
Three months ended March 31, 2009 (unaudited)					
Segment revenues	<u>4,938</u>	<u>759</u>	<u>943</u>	<u>(443)</u>	<u>6,197</u>
Segment results	<u>710</u>	<u>(283)</u>	<u>180</u>	<u>(1,260)</u>	<u>(653)</u>
Three months ended March 31, 2008 (unaudited)					
Segment revenues	<u>7,371</u>	<u>1,640</u>	<u>947</u>	<u>(542)</u>	<u>9,416</u>
Segment results	1,485	(237)	164	(1,627)	(215)
Year ended December 31, 2008 (audited)					
Segment revenues	27,174	5,873	5,741	(2,353)	36,435
Segment results	<u>4,630</u>	<u>(891)</u>	<u>734</u>	<u>(6,718)</u>	<u>(2,245)</u>
