

## Electronics Line 3000 Announces FY 2009 Results

- **Positive Cash Flow of \$3.4 Million**
- **Significant Reduction of Operating Loss and Net Loss**
- **Overall Recovery of Revenues During the Last Quarter of 2009**

Petach Tikva, Israel (March 18, 2010) – Electronics Line 3000 Ltd. (“the Company”) (XETRA: ELN), a leading global provider of wireless security with remote management solutions, announced its results in U.S. Dollars for the financial year ended December 31<sup>st</sup> 2009.

### **Financial Highlights**

Excluding the U.S. subsidiary operations, the Company shows an improved financial standing, including an operating profit of \$773,000, a net profit of \$47,000, a profit per share of \$0.005, and an EBITDA of \$1.6 million.

- Revenues for 2009 were \$26.4 million, compared to \$36.4 million for 2008. This is mainly due to the restructuring process of the Company’s U.S. subsidiary, ELUSA, as well as the decline of the GBP (British Pound Sterling) compared to the U.S. Dollar and the global economic recession.
- Gross Margin for 2009 was 35%, compared to 36% in 2008.
- Operating Results for 2009 showed a loss of \$114,000, compared to a loss of \$1.2 million in 2008.
- Net Loss for 2009 was \$886,000, compared to a net loss of \$2.9 million for 2008.
- Basic and Diluted Loss per Share for 2009 was \$0.09, compared to loss per share of \$0.29 for 2008.
- Cash Flow provided by operating activities was \$3.4 million for 2009, compared to \$1.8 million cash flow provided by operating activities in 2008. The cash flow resulting from operating activities was used for investments in non-current and current assets and for loan repayments.
- EBITDA for 2009 was \$702,000, compared to a loss of \$308,000 in 2008.



## **Discussion & Overview**

### **Revenues**

The Company's 2009 revenues were affected by several factors, including the restructuring process of the Company's U.S. subsidiary, ELUSA; the continuous decline of the GBP against the U.S. Dollar and the ongoing global economic crisis.

As discussed in previous reports, during Q2 2009 Electronics Line 3000's U.S. subsidiary, ELUSA, entered into an agreement with a local U.S.-based service provider to spin out ELUSA's non-core products. In the long term, this is expected to reduce expenses, enhance the Company's market position and increase profitability. However, during 2009, this move incurred expenses which negatively affected the Company's 2009 results.

As such, when excluding the influence of the U.S. subsidiary operations, the Company shows a significantly improved financial standing, including an operating profit of \$773,000, a net profit of \$47,000, a profit per share of \$0.005, and an EBITDA of \$1.6 million.

Furthermore, results from the Company's U.K. subsidiary, ESP-UK, also continued to be negatively affected during 2009 by currency exchange rates, with the continued decline of the GBP in relation to the U.S. Dollar. Although revenues from the U.K. subsidiary declined from 2008 to 2009 by only £116,000, it resulted in a \$1.6 million decline, measured in U.S. Dollars.

As shown in the table below, more than half of the Company's decline in revenues can be attributed to its two subsidiaries, ELUSA and ESP-UK.

Revenues in \$ 000's	2008	2009
IL	22,180	17,846
ESP-UK	8,718	7,153
ELUSA	5,518	1,391
Total	36,416	26,390

The global economic crisis has affected Electronics Line 3000 as well as many businesses around the world, including the Company's suppliers and customers. The Company's European customers, which make up over 80% of its customer base, have been greatly affected by this ongoing recession.

However, the Q4 of 2009 saw the Company revenues increase to \$7.9 million, compared to an average of \$6.1 million in previous quarters during 2009. The Company anticipates that this trend will continue, with enhanced results at 2010.



In the year under review, the Company acquired 16 new customers, mainly from Europe and Latin America, including Denmark, Spain, Norway, Russia, Mexico and Brazil.

Furthermore, in 2009, the Company signed a strategic contract for supplying advanced wireless security solutions to G4S Plc Security Services in Northern and Western Europe. This major agreement has the potential to enhance 2010 revenues

### **Continued Efficiency**

In light of the global financial downturn, during 2009 the Company set in place enhanced operational measures. These included organizational actions relating to the Company's U.S. subsidiary, ELUSA, as well as significant cost-cutting measures across the board that were set to reduce expenses.

As a result, during the year under review, despite the decrease in revenues the Company succeeded in significantly improving its net loss to \$886,000 compared to \$2.9 million in 2008. Furthermore, the Company's 2009 operating results showed a loss of \$114,000, compared to a loss of \$1.2 million in 2008. The Company also significantly improved its cash flow to \$3.4 million in 2009, compared to \$1.8 million in 2008.

The Company is set to continue to enforce enhanced operational efficiency measures throughout its activities in order to maintain these positive results.

### **New Products Development**

During 2009, the Company continued to invest in key R&D projects in order to remain at the forefront of its targeted global security market, and provide customers with advanced and attractive solutions. As such, the Company focused on the development of a new innovative, uniquely small, cost-optimized wireless residential security solution, which will be launched during the first half of 2010. This new cost-effective solution is set to enhance the Company's offering and will allow the Company to open new markets and create new sales channels.

Mr. Amir Hayek, President and CEO commented: "During 2009, the Company succeeded in improving key criteria in times of crisis - including operating efficiency and positive cash flow. Still, we continue to be cautious - both financially and in terms of our ongoing operations - because of the slow recovery from the global economic crisis and as currencies remain volatile. We remain hopeful that the positive improvement in the results in Q4 2009 will set the trend for a successful 2010".



Summary financial tables are listed below. Please see the Director's Report posted on the Company's website for more details and the accompanying notes which are an integral part of the consolidated financial statements.

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### **About Electronics Line 3000**

Electronics Line 3000 Ltd. (EL3K) is a leading global provider of wireless security with remote management solutions for the mass residential and commercial markets. Multiple technologies and applications are integrated in the solutions to enable real-time, two-way data, audio and video solutions. The Company has over 25 years of experience in the electronic security industry, and is well recognized for its technological innovations and for the high quality of its products. The Company partners with leading monitoring companies, distributors and residential service providers to create unique solutions.

#### Disclaimer:

"This release contains forward-looking statements, which express the current beliefs and expectations of management. Such statements involve a number of known and unknown risks and uncertainties that could cause the Company's future results, performance or achievements to differ significantly from those expressed or implied by such forward-looking statements. A number of these risks and other factors that might cause differences, some of which could be material, along with additional discussion of forward-looking statements, are set forth in the Company's Annual Report and its other filings filed with the Israeli Securities Authority. Forward-looking statements speak only as of the date on which they are made and the Company undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future developments or otherwise."



## Financial Highlights

### CONSOLIDATED BALANCE SHEETS U.S. dollars in thousands

	Note	December 31	
		2009	2008
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	3	2,245	2,297
Trade receivables	4	3,898	6,529
Income tax receivable		246	291
Prepaid expenses		572	691
Advances to suppliers		126	112
Other accounts receivable	5	388	331
Inventories	6	5,890	6,552
Total current assets		13,365	16,803
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment: Cost	7	16,006	14,664
Less - accumulated depreciation		10,838	10,258
		5,168	4,406
Intangible assets	8	392	-
Deferred taxes	14e	215	215
Security deposits		74	86
Total non current assets		5,849	4,707
Total assets		19,214	21,510
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Short-term credit from banks and others	9	5,704	8,141
Trade payables	10	4,091	4,096
Accrued expenses		453	518
Income tax payable		62	98
Other current liabilities	11	1,971	1,888
Total current liabilities		12,281	14,741
<b>LONG-TERM LIABILITIES:</b>			
Bank loans	12	1,214	77
Employee benefit liabilities	13	395	776
Total long-term liabilities		1,609	853
<b>EQUITY:</b>			
Share capital	16	10,933	10,933
Additional paid-in capital		6,621	6,610
Foreign currency translation reserve		1,588	1,300
Hedge reserves		10	15
Accumulated deficit		(13,828)	(12,942)
Total equity		5,324	5,916
Total liabilities and equity		19,214	21,510



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

	Note	Year ended December 31	
		2009	2008
Revenues	18	26,391	36,435
Cost of revenues	19	<u>17,130</u>	<u>23,366</u>
Gross profit		<u>9,261</u>	<u>13,069</u>
Operating costs and expenses:			
Research and development	20	1,856	3,608
Selling and marketing	21	4,849	7,403
General and administrative	22	<u>2,670</u>	<u>3,262</u>
Total operating costs and expenses		<u>9,375</u>	<u>14,273</u>
Operating loss		(114)	(1,204)
Financial income	23a	2,371	3,773
Financial expenses	23b	(3,067)	(4,816)
Other income (expenses)		<u>(8)</u>	<u>2</u>
Loss before taxes on income		(818)	(2,245)
Taxes on income	14b	<u>68</u>	<u>704</u>
Net loss		<u>(886)</u>	<u>(2,949)</u>
Net loss per share (basic and diluted)	24	<u>(0.09)</u>	<u>(0.29)</u>



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

	<b>Year ended December 31</b>	
	<b>2009</b>	<b>2008</b>
<u>Cash flows from operating activities:</u>		
Loss before taxes on income	(818)	(2,245)
Adjustments for:		
Depreciation and amortization	816	896
Loss on sale of property, plant and equipment	8	-
Increase (decrease) in employee benefit liabilities, net	(381)	164
Cost of share-based payments	11	75
Financial expenses, net	694	1,043
	<u>330</u>	<u>(67)</u>
Operating cash flows before working capital changes:		
Decrease in trade receivables	2,843	1,039
Decrease (increase) in prepaid expenses and other accounts receivable	124	(77)
Decrease in inventories	840	1,407
Decrease (increase) in security deposits	12	(1)
Decrease in trade payables	(175)	(5)
Increase (decrease) in accrued expenses	(65)	235
Increase in other current liabilities	86	231
	<u>3,665</u>	<u>2,829</u>
Cash provided by operations	3,995	2,762
Interest received	-	11
Interest paid	(430)	(630)
Income taxes received	-	132
Income taxes paid	(122)	(431)
Net cash provided by operating activities	<u>3,443</u>	<u>1,844</u>
<u>Cash flows from investing activities:</u>		
Investment in intangible assets	(392)	-
Acquisition of property, plant and equipment	(1,599)	(381)
Proceeds from sale of equipment	7	16
Net cash used in investing activities	<u>(1,984)</u>	<u>(365)</u>
<u>Cash flows from financing activities:</u>		
Decrease in short-term bank credit, net	(795)	(472)
Receipt of long-term loans from banks and others	1,568	-
Repayment of long-term loans from banks	(2,332)	(1,642)
Net cash used in financing activities	<u>(1,559)</u>	<u>(2,114)</u>
<u>Effect of exchange differences on cash and cash equivalents of foreign operations</u>	<u>48</u>	<u>(196)</u>
Decrease in cash and cash equivalents	(52)	(831)
Cash and cash equivalents at beginning of year	2,297	3,128
Cash and cash equivalents at end of year	<u>2,245</u>	<u>2,297</u>

