PAYTON GROUP
INTERNATIONAL

Payton Planar Magnetics Ltd.
and its Consolidated Subsidiaries
Financial Statements
June 30, 2002 (Unaudited)

Contents

The Board of Directors' Report[1] on Corporate Affairs

We are pleased to present the Board of Directors' report on the affairs of Payton Planar Magnetics Ltd. and its consolidated subsidiaries for the period ended on June 30, 2002.

1. A concise description of the corporation and its business environment

A. The Group

Payton Planar Magnetics Ltd. ("the Company") and its consolidated subsidiaries: Payton America Inc. ("Payton America"), Payton Planar Holdings (1996) Ltd. ("Payton Holdings"), Payton Asia Planar Magnetics Ltd. ("Payton Asia").

B. The Group's main fields of activity and changes that occurred in the period from January to June 2002

The Company, an Israeli high-tech enterprise, develops, manufactures and markets Planar transformers worldwide. The company was founded in order to revolutionize the traditional approach to the design and manufacture of transformers through the concept of planar transformers. The invention is patented in North America, Europe and Japan. The Company completed its initial public offering on the Euro.NM (Today Euronext Stock exchange).

Labor costs in the consolidated Income Statements. – In the first half of year 2002 labor cost significantly decreased mainly due to three main reasons: salaries reduction and a decrease in the employees number as part of management policy aimed to improve efficiency and minimizing costs. These two factors were accompanied with erosion of the New Israeli Shekel (“NIS”) in relation to the USD (See paragraph 2B to the Board of Directors Report “Labor costs in the consolidated Income Statements”, below).

Payton Asia, mass production facility. By the end of year 2001 the Company has completed the set up new production facility, located in Taichung (Taiwan). Starting December 2001 Payton Planar assigned one of its Israeli production managers in Taichung in order to educate the local workers and management with production and controlling skills. As at the date of signing these financial statements several production runs of high runners parts are being produced in this facility

Sales revenues for the three-month period ended June 30, 2002 amounted to USD 2,031 thousand compared with USD 1,632 thousand for the three-month period ended March 31, 2002 and compared with USD 2,247 thousand for the three-month period ended June 30, 2001. The sales increased by 24.5% in the second quarter of 2002, compare with the first quarter of 2002. The company believes that the increase is mainly a result of customers re-ordering after long period of inventory consumption.

The Company believes it is well positioned for growth in the transformer market through formation of strategic partnerships. The company further suggests that by enhancing the above-mentioned partnerships a wider range of technologies and/or products would be available to our customers and thus an additional competitive advantage will be created. Currently no business opportunity has matured.

C. Principal customers.

The consolidated sales revenues include sales to major customers (which make up in excess of 10% of the sales of the Company).

	For the three-month period ended June 30	For the year ended December 31	For the three-month period ended June 30
	2002	**2001**	**2001**
Customer A	10.8%	18.8%	*
Customer B	11.3%	*	*
Customer C	*	13.2%	27.5%
Customer D	11.3%	12.6%	10.0%

* Less then 10% the Company’s sales

[1] The financial statements as at June 30, 2001 form an integral part thereof.

D. Marketing

On May 2002, the Company participated in "PCIM" exhibition in Nuremberg, Germany. The company will further participate in the "Electronica" exhibition in November 2002 in Munich, Germany and in October in PCIM Chicago.

The Company has greater focus now on the American market, due to its relatively small share in the current sales, and due to the growth potential in it. The Company believes that the American market will be the first one to show recovery signs and thus it's aiming to be prepared. The company increased the marketing and sales efforts focusing currently on four regions California, Texas, Illinois and Massachusetts.

E. Order and Purchase Backlog

Order and purchase backlog of the Group as of June 30, 2002 were USD 5,285 thousand. (December 31, 2001 totaled USD 6,008 thousand). This backlog is composed of both firm orders, frame purchase orders and operating rolling forecast. Due to global slowdown trend in the High-Tech industries, nowadays, customers tend to place orders with short lead-time while in the past long term orders were common. Management estimates that most of this current backlog will be supplied by the end of the second quarter of 2003.

2. <u>Financial position</u>

A. Balance Sheet as at June 30, 2002.

Cash and cash equivalents – these amounted to USD 969 thousand at June 30, 2002 compared to USD 2,001 thousand as at December 31, 2001 and USD 2,062 thousand at June 30, 2001. The decrease in cash and cash equivalents compared with December 31,2001 is mainly due to two reasons: USD 550 thousands increase in debt of other account receivables in Payton Asia resulting from a payment for the land. This payment was paid back to the Company on July 2002. Increase of USD 247 thousands due to an investment in short term deposit

Short-term Deposit – As at June 30, 2002, this item comprise USD 597 thousands six-month time deposit in Bank Leumi USA earning 1.96% interest. Out of this amount, USD 350 thousands uses as a guaranty against current maturities of long-term loan and short-term credit taken from a Bank. As at December 31, 2001 this item comprised only a guaranty against current maturities of long-term loan and short-term credit taken from a Bank.

Other account receivable – these amounted USD 638 thousand at June 30, 2002 compared with USD 100 thousand at December 31, 2001 and USD 231 thousands at June 30,2001. The increase in this item was mainly due to a payment made to the Land Seller in Payton Asia (who is a related party of Payton Asia). The payment was paid back to the Company on July 2002.

Inventory – Total of USD 2,990 thousand at June 30, 2002 compared with USD 3,446 thousand as at December 31, 2001 and USD 3,311 thousand at June 30, 2001. The decrease compared with December 31, 2001 is mainly due to inventory consumption and more cautious and efficient inventory maintenance and purchase policies.

Other assets – these constitute mainly goodwill in the amount of USD 1,394 thousand arising from the acquisition of MTC. Goodwill is amortized over a period of ten years.

B. Operating results

Summary of Quarterly Consolidated Statements of Income
US Dollars in thousands

Payton Planar Magnetics Ltd.
Consolidated Income Statements

	Quarter 4-6/02	Quarter 1-3/02	Quarter 10-12/01	Quarter 7-9/01	Quarter 4-6/01
Sales revenues	2,031	1,632	2,000	1,907	2,247
Cost of sales	1,526	1,589	1,681	1,718	1,756
Gross result	*505*	*43*	*319*	*189*	*491*
Development costs	110	133	164	161	166
Selling & marketing expenses	244	219	266	281	341
General & administrative expenses	400	383	479	394	493
Operating loss	*(249)*	*(692)*	*(590)*	*(647)*	*(509)*
Net financial result	58	33	28	(39)	* (43)
Net operating loss after financial result	*(191)*	*(659)*	*(562)*	*(686)*	*(552)*
Issue of share capital in a consolidated subsidiary	7	7	6	7	7
Other (expenses) income	3	4	1	6	* (27)
Result before taxes on income	*(181)*	*(648)*	*(555)*	*(673)*	*(572)*
Tax expenses	-	-	(28)	-	-
Result after taxes on income	*(181)*	*(648)*	*(583)*	*(673)*	*(572)*
Minority interest in losses of subsidiaries	32	78	94	92	33
Net loss for the period	*(149)*	*(570)*	*(489)*	*(581)*	*(539)*

* Reclassified

The Group's sales revenue for the three-month period ended June 30, 2002 were USD 2,031 thousand compared with USD 1,632 thousand in the three-month period ended March 31, 2002, 24.5% increase, and with USD 2,000 thousand in the three-month period ended December 31, 2001. The company believes that the increase in sales compare to the first quarter of this year is mainly a result of customers re-ordering after long period of inventory consumption.

The Group's sales revenue for the six-month period ended June 30, 2002 were USD 3,663 thousand compared with USD 4,761 thousand in the six-month period ended June 30, 2001. The sales decrease resulted mostly from the global slowdown especially in the Hi-Tech and Telecommunication industries.

The Sales were generated primarily from large telecom companies and from portable equipment manufacturers. The Company believes it is effectively penetrated and still penetrating the largest telecom companies in Europe and the US. The telecom market is one of the primary markets the Company addresses.

Labor costs in the consolidated Income Statements –There were no material changes in the second quarter of 2002. However, in the first quarter of this year labor cost significantly decreased mainly due to three main reasons: salaries reduction and a decrease in the employees number as part of management policy aimed to improve efficiency and minimizing costs. These two factors were accompanied with erosion of the New Israeli Shekel ("NIS") in relation to the USD. About 75% of the group salaries are in NIS.

Gross results – The Group's gross results for the three-month period ended June 30, 2002 were USD 505 thousand compared with USD 43 thousand in the three-month period ended March 31, 2002. The increase in the gross results was due to two main reasons: a change in product mix manufactured during the second quarter of 2002, and due to increase in sales while cost of sales kept at the same volume.

The Group’s gross results for the six-month period ended June 30, 2002 were USD 548 thousand compared with USD 951 thousand in the six-month period ended June 30, 2001. The decrease resulted mostly from the global slowdown especially in the Hi-Tech and Telecommunication industries.

Development costs – Payton’s R&D strategy is aimed on maintaining the leadership of planar technology. Payton’s R&D departments work in conjunction with R&D departments of the forerunners of today’s global technology, and together they define tomorrow’s technological needs. Costs were estimated upon employees’ hours dedication. The group’s development costs for the six-month period ended June 30, 2002 were USD 243 thousand compared with USD 338 thousand in the six-month period ended June 30, 2001. The decrease in this item was mainly comprised of two reasons: labor cost reduction accompanied with erosion of the NIS.

Selling & marketing expenses - The Group’s Selling & marketing expenses for the three-month period ended June 30, 2002 were USD 244 thousand compared with USD 219 thousand in the three-month period ended March 31, 2002. The Group’s Selling & marketing expenses for the six-month period ended June 30, 2002 were USD 463 thousand compared with USD 698 thousand in the six-month period ended June 30, 2001. The Group’s Selling & marketing expenses are based on the management policy and are not related to sales, besides distribution commissions to the Group's reps’ that are calculated as a portion of sales. The Group’s marketing efforts are done through participation in major power electronic shows throughout the world and by collaborating with its worldwide rep's Network. Marketing expenses include expenses stemming from a worldwide marketing campaign of the ***Planetics***®, trade shows, travel, salaries and advertising in professional publications.
The decrease in this item in the first half of 2002 compare to the same period last year was caused due to decrease in distribution commissions and due to the decrease in labor costs.

General & Administrative expenses – The Group’s General & Administrative expenses for the three-month period ended June 30, 2002 were USD 400 thousand compared with USD 383 thousand in the three-month period ended March 31, 2002. The Group’s General & Administrative expenses for the six-month period ended June 30, 2002 were USD 783 thousand compared with USD 961 thousand in the six-month period ended June 30, 2001. the decrease in this item is mainly due to the decrease in labor costs.

3. Liquidity

A. Liquidity Ratios

The following table presents the financial ratios in the balance sheet:
The decrease in the ratios bellow is mainly due to the cash consumption, which financed the overall global activity of the group.

Payton Planar Magnetics Ltd. Consolidated financial ratios		
	June 30, 2002	**December 31, 2001**
Current ratio[2]	2.00	2.19
Quick ratio[3]	1.11	1.17

B. Cash flow used for operating activities

[2] Current ratio calculation – Current assets / Current liabilities
[3] Quick ratio calculation – (Current assets – Inventories) / Current liabilities

Cash flow used for operating activities in the three-month period ended June 30, 2002, was USD 615 thousand, compared to the use of cash flow for operating activities of USD 10 thousand in the three-month period ended June 30, 2001. This increase resulted mainly of an increase in other receivables due to a payment made to the Land Seller in Payton Asia (who is a related party of Payton Asia). The payment was paid back to the Company on July 2002. In addition the increase resulted of a decrease in trade receivables, as result of lower sales volume, and from the decrease in the inventory level.

4. Financing sources

The Group financed its activities during the reported periods from its own resources and from short and long term credit facilities taken from banks.

5. External factors effects

The global slowdown in the High-Tech industries especially the telecommunication industry, which is one of Payton's important operating markets, is still relevant. Some of Payton's major customers that operate in Europe and the U.S. are being affected as a result of this slowdown and thus influence Payton's volume of operation.
The end of the global slowdown is hard to foresee, as a result the whole market is more cautious.
Management cannot foresee the financial effect of this global scaling-down.

To the best of the Board of Directors' and management's knowledge, except the above mentioned external factors, there have been no significant changes in external factors that may materially effect the Company's financial position or results of operations.

The Company's Board of Directors wishes to thank our shareholders for their continuance trust and belief.

The Company's Board of Directors wishes to extent its sincere thanks its entire personnel for their efforts and contribution to the Group's affairs.

David Yativ
Chairman of the Board of Directors
and C.E.O.

Rishon Lezion, August 28, 2002.

KPMG

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To the Board of Directors
Payton Planar Magnetics Ltd.

Review of the unaudited interim financial statements for the periods ended June 30, 2002

At your request we reviewed the interim consolidated balance sheet of Payton Planar Magnetics Ltd. and its subsidiaries as at June 30, 2002, the consolidated statements of income, the statements of changes in shareholders' equity and the consolidated statements of cash flows for the six and three month periods then ended.

Our review was made in accordance with procedures established by the Institute of Certified Public Accountants in Israel. These procedures included inter alia: reading the above financial statements, reading the minutes of shareholders' meetings and meetings of the Board of Directors and of its committees and making inquiries of persons responsible for financial and accounting matters.

We received financial statements reviewed by other auditors of subsidiary companies, the assets of which represent 55% of the total consolidated assets as at June 30, 2002 and the revenues of which represent 15.2% and 14.3% of the total consolidated revenues for the six and three month periods then ended, respectively.

Since the review performed was limited in scope and does not constitute an examination in accordance with the Generally Accepted Auditing Standards, we do not express an opinion on the interim financial statements.

In the course of our review, including the reading of the review reports of other auditors as stated above, nothing came to our attention which would indicate the necessity of making any material modifications to the interim financial statements referred to above, in order for them to be in conformity with generally accepted accounting principles in Israel (Israeli GAAP) and International Accounting Standards as adopted by the International Accounting Standards Board.

Somekh Chaikin
Certified Public Accountants (Isr.)
(A member of KPMG International)

August 28, 2002

Consolidated Balance Sheets

	US$ thousands		
	June 30 2002 (Unaudited)	June 30 2001 (Unaudited)	December 31 2001 (Audited)
Current assets			
Cash and cash equivalents	**969**	2,062	2,001
Short-term deposit	**597**	290	350
Marketable securities	**-**	208	2
Trade accounts receivable, net	**1,569**	1,560	1,527
Other accounts receivable	**638**	231	100
Inventory	**2,990**	3,311	3,446
Total current assets	**6,763**	7,662	7,426
Property, plant and equipment, net	**8,469**	8,551	8,548
Deferred income taxes	**-**	36	-
Other assets, net	**1,412**	1,654	1,536
Total assets	**16,644**	17,903	17,510

David Yativ
Chief Executive Officer
Chairman of the Board of Directors

Michal Lichtenstein
Chief Financial Officer

Rishon Le Zion, August 28, 2002

	US$ thousands		
	June 30 2002 (Unaudited)	**June 30 2001 (Unaudited)**	**December 31 2001 (Audited)**
Current Liabilities			
Short-term bank credit and current maturities of long-term bank debt	**383**	305	321
Trade payables	**1,187**	2,037	1,243
Other payables	**1,815**	1,640	1,830
Total current liabilities	**3,385**	3,982	3,394
Unrealized gain from issue of share capital in a subsidiary company	**14**	41	28
Loan from Payton Industries Ltd. - parent company	**858**	858	858
Long-term debt, net of current maturities	**5,000**	3,544	5,002
Liability for employee severance benefits, net	**129**	135	141
Total long-term liabilities	**6,001**	4,578	6,029
Minority interest in consolidated subsidiaries	**3,969**	4,265	4,079
Shareholders' equity			
Share capital	**4,819**	4,819	4,819
Share premium	**8,942**	8,942	8,942
Accumulated deficit	**(10,472)**	(8,683)	(9,753)
Total shareholders' equity	**3,289**	5,078	4,008
Total liabilities and shareholders' equity	**16,644**	17,903	17,510

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

Consolidated Statements of Income

	US$ thousands (except per share data)				
	Six months ended June 30		Three months ended June 30		Year ended December 31
	2002	2001	2002	2001	2001
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Sales revenues	**3,663**	4,761	**2,031**	2,247	8,668
Cost of sales	**(3,115)**	(3,810)	**(1,526)**	(1,756)	(7,209)
Gross profit	**548**	951	**505**	491	1,459
Research and development expenses	**(243)**	(338)	**(110)**	(166)	(663)
Selling and marketing expenses	**(463)**	(698)	**(244)**	(341)	(1,245)
General and administrative expenses	**(783)**	(961)	**(400)**	(493)	(1,834)
Operating loss	**(941)**	(1,046)	**(249)**	(509)	(2,283)
Net financial result	**91**	(87)	**58**	*(43)	(58)
Net operating loss after financial results	**(850)**	(1,133)	**(191)**	(552)	(2,341)
Other income	**21**	40	**10**	*(20)	20
Loss before taxes on income	**(829)**	(1,093)	**(181)**	(572)	(2,321)
Taxes on income	**-**	-	**-**	-	(28)
Loss after taxes on income	**(829)**	(1,093)	**(181)**	(572)	(2,349)
Minority interest in losses of subsidiaries	**110**	46	**32**	33	232
Net loss for the period	**(719)**	(1,047)	**(149)**	(539)	(2,117)
Basic and diluted net loss per ordinary share (in USD)	**(0.04)**	(0.06)	**(0.01)**	(0.03)	(0.12)

* Reclassified

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

Statement of Shareholders' Equity

	Share capital				
	Number of shares	Amount	Share premium	Accumulated deficit	Total
		US$ thousands			
Balance at January 1, 2002 (Audited)	**17,600,000**	**4,819**	**8,942**	**(9,753)**	**4,008**
Net loss for the period	**-**	**-**	**-**	**(719)**	**(719)**
Balance at June 30, 2002 (Unaudited)	**17,600,000**	**4,819**	**8,942**	**(10,472)**	**3,289**
Balance at January 1, 2001 (Audited)	17,600,000	4,819	8,942	(7,636)	6,125
Net loss for the period	-	-	-	(1,047)	(1,047)
Balance at June 30, 2001 (Unaudited)	17,600,000	4,819	8,942	(8,683)	5,078
Balance at April 1, 2002 (Unaudited)	**17,600,000**	**4,819**	**8,942**	**(10,323)**	**3,438**
Net loss for the period (Unaudited)	**-**	**-**	**-**	**(149)**	**(149)**
Balance at June 30, 2002 (Unaudited)	**17,600,000**	**4,819**	**8,942**	**(10,472)**	**3,289**
Balance at April 1, 2001 (Unaudited)	17,600,000	4,819	8,942	(8,144)	5,617
Net loss for the period (Unaudited)	-	-	-	(539)	(539)
Balance at June 30, 2001 (Unaudited)	17,600,000	4,819	8,942	(8,683)	5,078
Balance at January 1, 2001 (Audited)	17,600,000	4,819	8,942	(7,636)	6,125
Net loss for the year	-	-	-	(2,117)	(2,117)
Balance at December 31, 2001 (Audited)	17,600,000	4,819	8,942	(9,753)	4,008

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

Consolidated Statements of Cash Flows

	US$ thousands				
	Six months ended June 30		Three months ended June 30		Year ended December 31
	2002	**2001**	**2002**	**2001**	**2001**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Audited)**
Operating activities					
Net loss for the period	**(719)**	(1,047)	**(149)**	(539)	(2,117)
Adjustments to reconcile net income to net cash used for operating activities:					
Depreciation and amortization	**287**	287	**142**	142	588
Employee severance pay, net	**(12)**	16	**2**	(10)	22
Translation loss (gain) on long-term debt	**(5)**	(7)	**(1)**	3	(10)
Minority interests in losses of subsidiaries	**(110)**	(46)	**(32)**	(33)	(232)
Gain from issue of shares of a subsidiary	**(14)**	(14)	**(7)**	(7)	(27)
Gain from sale of fixed assets	**(4)**	(7)	**-**	(7)	-
Decrease in short term investments	**2**	5	**-**	7	5
Decrease in deferred taxes	**-**	-	**-**	-	27
Decrease (increase) in trade receivables	**(42)**	597	**(333)**	471	630
Decrease (increase) in other receivables	**(538)**	50	**(560)**	5	181
Decrease (increase) in inventory	**456**	(723)	**141**	(650)	(858)
Increase (decrease) in trade payables	**24**	358	**151**	518	(505)
Increase (decrease) in other payables	**(15)**	283	**31**	90	482
Cash flows used for operating activities	**(690)**	(248)	**(615)**	(10)	(1,814)
Investing activities					
Investment in property, plant and equipment	**(169)**	(367)	**(135)**	(114)	(481)
Short-term deposit	**(247)**	60	**-**	-	-
Sale of equipment	**9**	19	**-**	19	15
Sale of marketable securities	**-**	277	**-**	72	483
Cash flows provided by (used for) investing activities	**(407)**	(11)	**(135)**	(23)	17
Financing activities					
Repayment of long-term debt	**(145)**	(149)	**(72)**	(74)	(303)
Increase in bank credit	**210**	-	**24**	-	131
Long-term loan received from bank	**-**	-	**-**	-	1,500
Cash flows provided by (used for) financing activities	**65**	(149)	**(48)**	(74)	1,328
Decrease in cash and cash equivalents	**(1,032)**	(408)	**(798)**	(107)	(469)
Cash and cash equivalents at beginning of period	**2,001**	2,470	**1,767**	2,169	2,470
Cash and cash equivalents at end of period	**969**	2,062	**969**	2,062	2,001
Appendix A - Non cash activities:					
Purchase of property and equipment	**25**	36	**25**	36	105

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

Note 1 - General

A. Payton Planar Magnetics Ltd. (the "Company") was incorporated in December 1992. The Company is a subsidiary of Payton Industries Ltd. (the "Parent Company").

B. The Company develops, manufactures and markets planar power transformers for high density; high frequency off-line power supplies and operates abroad through its subsidiaries and distributors. Its manufacturing includes the manufacture of printed circuits.

Note 2 - Financial Reporting and Accounting Policies

A. The accounting principles used in the preparation of the consolidated interim statements are consistent with those principles used in the preparation of the annual statements as at December 31, 2001.

B. The interim financial statements as at June 30, 2002 and for the periods of six months and three months then ended (the interim statements) have been prepared in a condensed form in accordance with accepted accounting principles related to the preparation of interim financial statements.

C. These financial statements do not include all the information and explanations required for annual financial statements. Results of operations for the six-month period ended June 30, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002.

D. In 2001, the Israel Accounting Standards Board published Accounting Standard No. 13 - Effect of Changes in Foreign Currency Exchange Rates.
Standard No. 13 deals with translation of transactions in foreign currency and translation of the financial statements of companies operating overseas, for purposes of inclusion thereof in the financial statements of the reporting company.
The Standard will apply to financial statements starting after December 31, 2002.

The Board intends to publish as soon as possible principles for identification of the functional currency, which will be based on international and other accounting principles. Therefore, at this stage the anticipated effect of the standard is unknown.

Note 3 - External Factors Effects

The global slowdown in the high-tech industries, especially the telecommunication industry, which is one of Payton's important operating markets is still relevant. Some of Payton's major customers that operate in Europe and the U.S. are being affected as a result of this slowdown and thus influence Payton's volume of operation.
The end of the global slowdown is hard to foresee, as a result the whole market is more cautious.

The Company management cannot foresee the financial effect of this global scaling-down.

Note 4 - Operating Segments

	US$ thousands				
	Six months ended June 30, 2002 (Unaudited)				
	Europe and Israel (mainly Europe)	**America**	**Asia**	**Adjustments**	**Total**
Net sales and revenues from external customers	**2,925**	**581**	**157**	**-**	**3,663**
Inter segment net sales and revenues	**182**	**28**	**200**	**(410)**	**-**
Total net sales and revenues	**3,107**	**609**	**357**	**(410)**	**3,663**
Operating loss	**(440)**	**(161)**	**(224)**	**(116)**	**(941)**
Net financial results	**120**	**(25)**	**(4)**	**-**	**91**
	(320)	**(186)**	**(228)**	**(116)**	**(850)**

	In thousands of US Dollars				
	Six months ended June 30, 2001 (Unaudited)				
	Europe and Israel (mainly Europe)	**America**	**Asia**	**Adjustments**	**Total**
Net sales and revenues from external customers	3,879	669	213	-	4,761
Inter segment net sales and revenues	125	75	451	(651)	-
Total net sales and revenues	4,004	744	664	(651)	4,761
Operating loss	(701)	(146)	(83)	(116)	(1,046)
Net financial results	(29)	(24)	(34)	-	(87)
	(730)	(170)	(117)	(116)	(1,133)

Note 4 - Operating Segments (cont'd)

	In thousands of US Dollars				
	Three months ended June 30, 2002 (Unaudited)				
	Europe and Israel (mainly Europe)	**America**	**Asia**	**Adjustments**	**Total**
Net sales and revenues from external customers	**1,628**	**303**	**100**	**-**	**2,031**
Inter-segment net sales and revenues	**112**	**16**	**103**	**(231)**	**-**
Total net sales and revenues	**1,740**	**319**	**203**	**(231)**	**2,031**
Operating loss	**(34)**	**(78)**	**(79)**	**(58)**	**(249)**
Net financial result	**66**	**(13)**	**5**	**-**	**58**
	32	**(91)**	**(74)**	**(58)**	**(191)**

	In thousands of US Dollars				
	Three months ended June 30, 2001 (Unaudited)				
	Europe and Israel (mainly Europe)	**America**	**Asia**	**Adjustments**	**Total**
Net sales and revenues from external customers	1,777	299	171	-	2,247
Inter-segment net sales and revenues	77	61	133	(271)	-
Total net sales and revenues	1,854	360	304	(271)	2,247
Operating loss	(346)	(68)	(37)	(58)	(509)
Net financial result	(18)	(12)	(13)	-	(43)
	(364)	(80)	(50)	(58)	(552)

Note 4 - Operating Segments (cont'd)

	US$ thousands				
	Year ended December 31, 2001 (Audited)				
	Europe and Israel (mainly Europe)	**America**	**Asia**	**Adjustments**	**Total**
Net sales and revenues from external customers	7,117	1,276	275	-	8,668
Inter segment net sales and revenues	378	104	582	(1,064)	-
Total net sales and revenues	7,495	1,380	857	(1,064)	8,668
Operating loss	(1,333)	(312)	(405)	(233)	(2,283)
Net financial results	1	(49)	(10)	-	(58)
	(1,332)	(361)	(415)	(233)	(2,341)