PAYTON GROUP
INTERNATIONAL

Payton Planar Magnetics Ltd.
and its Consolidated Subsidiaries
Financial Statements
June 30, 2001 (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, 2001.

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 2001

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. On 1998 The Company completed its initial public offering on the Euro.NM (Today Euronext Stock exchange).

On June 21, 2001, a bank approved a credit facility up to US$ 2.5 million to the company. This credit facility is subject to certain performance millstone (of sales revenues and operating results) according to the terms defined in the credit agreement. The credit agreement has become valid after general meetings of shareholders of the parent company and of related companies approval held on August 2001. The parent company and related companies guaranteed this credit with respect to the bank. As at the date of signing these financial statements the Company used its rights to receive US$ 1 million out of the credit facility.

No material changes in the business activity of the Group have accrued within the reported period.

The set up of the new production facility, located in Taichung, is in its final stages. Most of the necessary equipment and infrastructure are in place. The company has started to train workers and make pilot runs of transformers that has high volume potential for future mass production. The process of training and manufacturing pilot runs is expected to last for a limited number months.

The Company believes it is well positioned for growth in the transformer market through mergers and acquisitions. The company further concludes that by merger and/or acquisition a wider range of technologies and/or products would be available, at relatively lower development, maintenance and commercialization costs. Currently no merger or acquisition has matured.

On August 15, 2001, The Company signed an advisory agreement with Cukierman & Co. Investment house Ltd. in order to explore various strategic alternatives mostly in the European market.

C . Sales

Sales revenues for the six-month period ended June 30, 2001 amounted to USD 4,761 thousand compared with USD 3,009 thousand for the six-month period ended June 30, 2000 indicating growth of 58%.

Revenues for the six-month period ended June 30, 2001 consisted of recurring sales to existing customers and sales to new ones. There was a change during the first six months of 2001 in the products mix. The amount of sales from new designs in the stages of pre-production and ramp-up has increased. This change was caused mainly due to slow down in running projects and increasing demand for new projects. These projects are in a relatively low point on the production learning curve.

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 larger telecom companies in Europe and the US. The telecom market is one of its primary markets the Company address.

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

D. 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
	2001	**2000**	**2000**
Customer A	**	22.9%	22.31%
Customer B	**	**	14.46%
Customer C	27.54%	**	**
Customer D	10.00%	**	**

** Less then 10% the Company's sales

E. Marketing

During the six-month period ended June 30, 2001 the Company participated in four exhibitions: "Power Electronics" in England, "Electronica" in Israel, "APEC" in California, USA and "PCIM" exhibition in Nuremberg, Germany.

G. Order and Purchase Backlog

Order and purchase backlog of the Group as of June 30, 2001 were USD 8,000 thousand (December 31, 2000 were USD 9,300 thousand). This backlog is composed of both firm orders, frame purchase orders and operating rolling forecast. . The decrease in the backlog is the result of a cautious order policy implemented by customers. Today, customers tend to place orders with short lead-time were in the past long tern orders were common. This change is a result of the global slowdown trend in the High-Tech industries. Management estimates that most of this current backlog will be supplied by the end of the second quarter of 2002.

2. Financial position

I. Balance Sheet as at June 30, 2001.

Cash and cash equivalents – these amounted to USD 2,062 thousand at June 30, 2001 compared to USD 2,470 thousand as at December 31, 2000 and USD 2,029 thousand at June 30, 2000. The decrease in cash and cash equivalents compared with December 31, 2000 is mainly due to cash consumption for operating activities. Compared with June 30, 2000 this decrease was shorten by USD 600 thousand due to the increase of capital in Payton Asia that occurred on the third and the fourth quarter of 2000.

Short-term Deposit – This item is mostly composed of a guaranty against a long-term loan taken from a Bank.

Marketable securities and treasury bonds – these amounted to USD 208 thousand at June 30, 2001 compared to USD 490 thousand as at December 31, 2000 and USD 590 thousand at June 30, 2000. The decrease in this item is mainly due to decrease of treasury bonds used for operating activities.

Inventory – Total of USD 3,311 thousand at June 30, 2001 compared to USD 2,588 thousand as at December 31, 2000 and USD 2,150 thousand at June 30, 2000. The increase in this item is mainly due to two reasons: purchases of new parts as result of new designs for new projects and due to management inventory strategy enabling supply the rolling backlog commitments which part of them were postponed.

Property and equipment net – these amounted to USD 8,551 thousand at June 30, 2001 compared to USD 8,329 thousand as at December 31, 2000 and USD 1,169 thousand at June 30, 2000. The increase in this item in six-month period ended June 30, 2001 is mainly due to continuous investment process necessary for establishing the new facility in Taichung. The increase in this item compared with June 30, 2000 is mainly due to the purchasing of 4,000 sq. meters land with an existing building of 2,000 sq. meters at USD 7 million, according to the investment agreement in Payton Asia.

Other assets – these constitute mainly goodwill in the amount of USD 1,627 thousand arising from the acquisition of MTC. Goodwill is amortized over a period of ten years.

Current liabilities - these amounted to USD 3,982 thousand at June 30, 2001 compared to USD 3,306 thousand as at December 31, 2000 and USD 1,961 thousand at June 30, 2000. The increase in this item compared to December 31, 2000 is composed of both increase in trade payable and increase in other payable due to increase in government institution debts and in employees, payroll taxes and remittable withholdings.

C. Operating results

Summary of quarterly Statements of Income
US Dollars in thousands

Payton Planar Magnetics Ltd.
Consolidated Income Statements

	Quarter 4-6/01	Quarter 1-3/01	Quarter 10-12/00	Quarter 7-9/00	Quarter 4-6/00
Sales revenues	2,247	2,514	2,462	1,835	*1,673
Cost of sales	1,756	2,054	1,897	1,261	*1,436
Gross result	*491*	*460*	*565*	*574*	*237*
Development costs	166	172	146	170	153
Selling & marketing expenses	341	357	325	209	253
General & administrative expenses	493	468	460	459	443
Operating loss	*(509)*	*(537)*	*(366)*	*(264)*	*(612)*
Net financial result	(83)	(4)	(9)	(113)	84
Net operating loss after financial result	*(592)*	*(541)*	*(375)*	*(377)*	*(528)*
Issue of share capital in a consolidated subsidiary	7	7	5	-	-
Other income	13	13	23	1	4
Result before taxes on income	*(572)*	*(521)*	*(347)*	*(376)*	*(524)*
Tax benefit	-	-	(27)	-	-
Result after taxes on income	*(572)*	*(521)*	*(320)*	*(376)*	*(524)*
Minority interest in losses (earnings) of subsidiaries	33	13	52	(6)	32
Net loss for the period	*(539)*	*(508)*	*(268)*	*(382)*	*(492)*

* Reclassified

The Group's sales revenue for the six-month period ended June 30, 2001 were USD 4,761 thousand compared with USD 3,009 thousand in the six-month period ended June 30, 2000, increase of 58%. The Group's sales revenue for the three-month period ended June 30, 2001 were USD 2,247 thousand compared with USD 1,673 thousand in the three-month period ended June 30, 2000, increase of 34%. The sales growth trend continued in the first six months of 2001 in spite of the global slowdown in the High-Tech industries. This increase was mainly due to the overall growth in sales volume as outcome of product acceptance.
Due to sales of new designs in new projects the global slowdown effect on the Group sales in the first six months of 2001 was reduced.

Gross results – The Group's gross results for the six-month period ended June 30, 2001 were USD 951 thousand (20%)compared with USD 429 thousand (14%) in the six-month period ended June 30, 2000. The Group's gross results for the three-month period ended June 30, 2001 were USD 491 thousand (22%) compared with USD 237 thousand (14%) in the three-month period ended June 30, 2000. The increase in this item is mainly due to the over-all growth in the volume of sales, raw materials cost down and production learning curve.

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, 2001 were USD 338 thousand compared with USD 298 thousand in the six-month period ended June 30, 2000. The group's development costs for the three-month period ended June 30, 2001 were USD 166 thousand compared with USD 153 thousand in the three-month period ended June 30, 2000.

Selling & marketing expenses - The Group's Selling & marketing expenses for the six-month period ended June 30, 2001 were USD 698 thousand compared with USD 542 thousand in the six-month period ended June 30, 2000. The Group's Selling & marketing expenses for the three-month period ended June 30, 2001 were USD 341 thousand compared with USD 253 thousand in the three-month period ended June 30, 2000 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.

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, 2001	**December 31, 2000**
Current ratio[2]	1.92	2.52
Quick ratio[3]	1.09	1.74

B. Cash flow used for operating activities

Cash flow used for operating activities for the six-month period ended June 30, 2001, was USD 248 thousand, compared to the use of cash flow for operating activities of USD 822 thousand for the six-month period ended June 30, 2000. Cash flow used for operating activities for the three-month period ended June 30, 2001, was USD 10 thousand, compared to the use of cash flow for operating activities of USD 512 thousand for the three-month period ended June 30, 2000. This improvement in the cash flow used for operating activities is an outcome of constant and careful management of the Group's cash position that resulted in increase in trade payables and decrease in trade account receivables.

4. Financing sources

The Group financed its activities during the reported periods mostly from its own resources.

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

5. External factors effects

Since the beginning of 2001 there is a global trend of slowdown in the High-Tech industries especially the telecommunication industry, which is one of Payton's important operating markets. This trend is now spread worldwide and takes its toll from supporting industries as well.

Some of Payton's major customers that operate in Europe had to follow this "cooling-down" trend, which had a direct effect on Payton's volume of operation during the first half of 2001. This setback can be related to the tendency of consuming access inventory which was accumulated based on the high expectations of last year. This trend might continue in the future. The company management cannot foresee, at this stage, the financial effect of this global scaling-down.

To the best of the Board of Directors' and management's knowledge, except the above mentioned slow down, 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 to the 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 29, 2001.

To the Board of Directors
Payton Planar Magnetics Ltd.
Rishon Le-Zion

Review of the unaudited interim consolidated financial statements for the periods ended June 30, 2001

At your request we reviewed the interim consolidated balance sheet of Payton Planar Magnetics Ltd. and its subsidiaries as at June 30, 2001, the consolidated statement 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.

The financial statements, as at June 30, 2000, and for the six and three month periods then ended, were reviewed by Somekh Chaikin and Shohet Rabinovitch.

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 54.03% of the total consolidated assets as at June 30, 2001 and the revenues of which represent 15.9% and 17.5% 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.

Based on our review, which included the reading of the review reports of other auditors as stated above, we are unaware of any material modifications that would be necessary in order for the interim financial statements to be in conformity with generally accepted accounting principles in Israel (Israeli GAAP). As applied to these financial statements, Israeli GAAP is not substantially different from International Accounting Standards (IAS) in all material respects.

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

August 29, 2001

Consolidated Balance Sheets

	In thousands of U.S Dollars		
	June 30 2001	**June 30 2000**	**December 31 2000**
	(Unaudited)	**(Unaudited)**	**(Audited)**
Cash and cash equivalents	2,062	2,029	2,470
Short-term deposit	290	500	350
Marketable securities and treasury bonds	208	590	490
Trade accounts receivable, net	1,560	1,440	2,157
Other accounts receivable	231	361	281
Inventory	3,311	2,150	2,588
Current assets	7,662	7,070	8,336
Property, equipment and land	8,551	1,169	8,329
Deferred income taxes	36	-	36
Other assets, net	1,654	1,876	1,772
Total assets	17,903	10,115	18,473
Current maturities of long term bank debt	305	302	306
Trade payables	2,037	916	1,643
Other payables	1,640	743	1,357
Current liabilities	3,982	1,961	3,306
Unrealized gain from issue of share capital in a subsidiary company	41	-	55
Loan from Payton Industries Ltd. - parent company	858	858	858
Long-term debt, net of current portion	3,544	352	3,699
Liability for employee severance benefits, net	135	106	119
Long-term liabilities	4,578	1,316	4,731
Minority interest in consolidated subsidiaries	4,265	63	4,311
Shareholders' equity			
Share capital	4,819	4,819	4,819
Share premium	8,942	8,942	8,942
Accumulated deficit	(8,683)	(6,986)	(7,636)
Shareholders' equity	5,078	6,775	6,125
Total liabilities and shareholders' equity	17,903	10,115	18,473

David Yativ   Chief Executive Officer and the Chairman of the Board of Directors

Michal Lichtenstein   Chief Financial Officer

Rishon Le Zion, August 29, 2001

The notes to these financial statements are an integral part thereof.

Consolidated Statements of Income

	In thousands of US Dollars (except per share data)				
	Six months ended		Three months ended		Year ended
	June 30 2001	June 30 2000	June 30 2001	June 30 2000	December 31 2000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Sales	4,761	*3,009	2,247	*1,673	7,310
Cost of sales	(3,810)	*(2,580)	(1,756)	*(1,436)	(5,742)
Gross profit	951	429	491	237	1,568
Development costs	(338)	(298)	(166)	(153)	(614)
Selling and marketing expenses	(698)	(542)	(341)	(253)	(1,076)
General and administrative expenses	(961)	(887)	(493)	(443)	(1,806)
Operating loss	(1,046)	(1,298)	(509)	(612)	(1,928)
Financial income (expense), net	(87)	97	(83)	84	(25)
Net operating result after financial loss	(1,133)	(1,201)	(592)	(528)	(1,953)
Result from the issue of share capital in a consolidated subsidiary	14	-	7	-	5
Other income	26	11	13	4	35
Loss before taxes on income	(1,093)	(1,190)	(572)	(524)	(1,913)
Taxes on income (tax benefit)	-	-	-	-	27
Loss after taxes on income	(1,093)	(1,190)	(572)	(524)	(1,886)
Minority interest in losses of subsidiaries	46	60	33	32	106
Net loss for the period	(1,047)	(1,130)	(539)	(492)	(1,780)
Net loss per ordinary share (in USD)	(0.06)	(0.06)	(0.03)	(0.03)	(0.10)

* Reclassified

The notes to these financial statements are an integral part thereof.

Statement of Shareholders' Equity

	Share capital				
	Number of shares	Amount	Share premium	Accumulated deficit	Total
		In thousands of US Dollars			
Balance at January 1, 2001 (Audited)	17,600,000	4,819	8,942	(7,636)	6,125
Net loss for the period (Unaudited)	-	-	-	(1,047)	(1,047)
Balance at June 30, 2001 (Unaudited)	17,600,000	4,819	8,942	(8,683)	5,078
Balance at January 1, 2000 (Audited)	17,600,000	4,819	8,942	(5,856)	7,905
Net loss for the period (Unaudited)	-	-	-	(1,130)	(1,130)
Balance at June 30, 2000 (Unaudited)	17,600,000	4,819	8,942	(6,986)	6,775
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 April 1, 2000 (Unaudited)	17,600,000	4,819	8,942	(6,494)	7,267
Net loss for the period (Unaudited)	-	-	-	(492)	(492)
Balance at June 30, 2000 (Unaudited)	17,600,000	4,819	8,942	(6,986)	6,775
Balance at January 1, 2000 (Audited)	17,600,000	4,819	8,942	(5,856)	7,905
Net loss for the year (audited)	-	-	-	(1,780)	(1,780)
Balance at December 31, 2000 (Audited)	17,600,000	4,819	8,942	(7,636)	6,125

The notes to these financial statements are an integral part thereof.

Consolidated Statements of Cash Flows

	In thousands of US Dollars (except per share data)				
	Six months ended		Three months ended		Year ended
	June 30 2001	June 30 2000	June 30 2001	June 30 2000	December 31 2000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Net result for the period	(1,047)	(1,130)	(539)	(492)	(1,780)
Adjustments to reconcile net income to net cash provided by operating activities (A)	799	308	529	(20)	952
Cash flows used in operating activities	(248)	(822)	(10)	(512)	(828)
Investment in property, equipment and land	(367)	(178)	(114)	(124)	(560)
Investment in other assets	-	-	-	-	(15)
Short-term deposit	60	36	-	-	186
Short-term loan	-	(25)	-	-	-
Sale of equipment	19	16	19	3	24
Sale (acquisition) of marketable securities, net	277	(36)	72	(51)	31
Cash flows used in investing activities	(11)	(187)	(23)	(172)	(334)
Repayment of long-term debt	(149)	(150)	(74)	(76)	(303)
Receipt of loan in respect of financial leasing	-	21	-	21	21
Receipts from shareholders of subsidiaries	-	129	-	90	876
Cash flows provided by (used in) financing activities	(149)	-	(74)	35	594
Cash and cash equivalents at beginning of period	2,470	3,038	2,169	2,678	3,038
Decrease in cash and cash equivalents	(408)	(1,009)	(107)	(649)	(568)
Cash and cash equivalents at end of period	2,062	2,029	2,062	2,029	2,470

The notes to these financial statements are an integral part thereof.

Consolidated Statements of Cash Flows

Appendix A - Adjustments to reconcile net income to cash flows provided by operating activities

	In thousands of US Dollars (except per share data)				
	Six months ended		Three months ended		Year ended
	June 30	June 30	June 30	June 30	December 31
	2001	2000	2001	2000	2000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Income and expense items not constituting a current flow of funds:					
Depreciation and amortization	287	283	142	130	564
Capital (gain) loss	(7)	-	(7)	2	(2)
Employee severance pay, net	16	29	(10)	3	42
Translation (gain) loss on long-term debt	(7)	6	3	(3)	10
Minority interests in losses of subsidiaries	(46)	(60)	(33)	(32)	(106)
Gain from issue of shares of a subsidiary	(14)	-	(7)	-	(5)
Decrease (increase) in short-term investments	5	(21)	7	5	12
Increase in deferred taxes	-	-	-	-	(36)
Changes in assets and liabilities					
Decrease (increase) in trade receivables	597	(62)	471	(247)	(779)
Decrease (increase) in other receivables	50	(142)	5	(43)	(92)
Increase in inventory	(723)	(158)	(650)	(162)	(596)
Increase in trade payables	358	271	518	265	1,058
Increase in other payables	283	162	90	62	882
	799	308	529	(20)	952

Appendix B - Non cash activities:

Purchase of property and equipment on credit	36	83	36	55	-
Purchase of land from shareholders in subsidiary	-	-	-	-	7,000

The notes to these financial statements form an integral part thereof.

Note 1 - General

A. Payton Planar Magnetics Ltd. (the Company) is a subsidiary of Payton Industries Ltd., an Israeli Company (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

1. 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, 2000.

2. The interim financial statements as at June 30, 2001 and for the periods of six and three month periods 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.

3. These financial statements do not include all the information and explanations required for annual financial statements. Results of operations for the six and three month periods ended June 30, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001.

4. During the accounting period, the Israel Accounting Standards Board published the following new Accounting Standards:

   Accounting Standard No. 7 - Post balance sheet Events. The new standard stipulates when a corporation must make adjustments to its financial statements for events after the balance sheet date, and the disclosure required from a corporation regarding the date on which the financial statements were approved for publication relating to events after the balance sheet date.
   Accounting Standard No. 8 - Discontinuing operations. The standard stipulates rules for separate presentation of information relating to significant business operations discontinued by the corporation, from information to continued operations, and determines the minimum disclosure of information regarding discontinued operations.
   Accounting Standard No. 11 - Segment reporting. The standard requires the inclusion of information regarding business segments and geographic segments, and determines detailed directives to identify business and geographic segments.

   Accounting Standard No. 7 will apply to financial statements for periods ending December 31, 2001 or thereafter. Accounting standards 8 and 11 will apply to financial statements for period ending December 31, 2002 or thereafter.

   In the Company's opinion the implementation of these accountings standards will not significantly affect the financial statements in comparison with the accounting standards in effect as at balance sheet date.

Note 3 - External Factors Effects

A global trend of slowdown in the High-Tech industries prevailed during the first and second quarters of 2001. This global trend started in the United States and continued to effect the European marketplace and takes its toll there. It merely seems as an adjustment of very high and too optimistic expectations to a more realistic atmosphere.

Some of Payton's major customers that operate in Europe had to follow this "cooling-down" trend and had trimmed their manpower. This adjustment in the business might effect Company's volume of operation. The company management cannot foresee, at this stage, the financial effect of this global scaling-down.

Note 4 - Subsequent Event

Subsequent to balance sheet date the agreement with a bank, which was signed on June 2001 regarding a credit facility in the amount up to US$2.5 million, became effective, after all the conditions were fulfilled. As at the date of signing the financial statements the Company has already received US$ 1 million.
The parent company and related companies guaranteed the credit with respect to the bank.

Note 5 - Operating Segments

	In thousands of US Dollars Six months ended June 30, 2001 (Unaudited)				
	Israel and 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 result	(701)	(146)	(83)	(116)	(1,046)

	In thousands of US Dollars Six months ended June 30, 2000 (Unaudited)				
	Israel and Europe	**America**	**Asia**	**Adjustments**	**Total**
Net sales and revenues from external customers	2,460	444	105	-	3,009
Inter-segment net sales and revenues	40	6	116	(162)	-
Total net sales and revenues	2,500	450	221	(162)	3,009
Operating result	(737)	(306)	(139)	(116)	(1,298)

Note 5 - Operating Segments (cont'd)

	In thousands of US Dollars				
	Three months ended June 30, 2001 (Unaudited)				
	Israel and 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 result	(346)	(68)	(37)	(58)	(509)

	In thousands of US Dollars				
	Threemonths ended June 30, 2000 (Unaudited)				
	Israel and Europe	America	Asia	Adjustments	Total
Net sales and revenues from external customers	1,310	289	74	-	1,673
Inter-segment net sales and revenues	13	6	66	(85)	-
Total net sales and revenues	1,323	295	140	(85)	1,673
Operating result	(386)	(89)	(79)	(58)	(612)

	In thousands of US Dollars				
	Year ended December 31, 2000 (Audited)				
	Israel and Europe	America	Asia	Adjustments	Total
Net sales and revenues from external customers	5,827	1,047	436	-	7,310
Inter-segment net sales and revenues	148	212	337	(697)	-
Total net sales and revenues	5,975	1,259	773	(697)	7,310
Operating result	(975)	(471)	(250)	(232)	(1,928)