PAYTON GROUP
INTERNATIONAL

Payton Planar Magnetics Ltd.
and its Consolidated Subsidiaries
Financial Statements
September 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 September 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 September 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 security for the credit the Company registered a floating lien on its assets and a fixed lien on the goodwill and other assets of the Company. Furthermore, in accordance with the agreement with the bank Payton Planner granted the bank options to purchase shares of the Company. As at the date of these financial statements the Company received US$ 1.5 million out of this credit facility.

Payton Asia, mass production facility. The company has completed the set up of the new production facility, located in Taichung. The company continues to train workers and produce pilot runs of transformers that have high volume potential for future mass production. As at the date of signing this financial statements first production runs of high runners parts are in action.

On August 15, 2001, The Company signed an advisory agreement with Cukierman & Co. Investment house Ltd. ("Cukierman") in order to explore various strategic alternatives mostly in the European market. Up to now Cukierman approached several companies and finance investors.

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.

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

C . Sales

Sales revenues for the nine-month period ended September 30, 2001 amounted to USD 6,669 thousand compared with USD 4,848 thousand for the nine-month period ended September 30, 2000 indicating growth of 38%.

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.

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

The company is currently expanding it's efforts towards military and consumer goods applications. The telecom market continues to be one of the primary markets the Company address.

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 September 30	**For the year ended December 31**	**For the three-month period ended September 30**
	2001	**2000**	**2000**
Customer A	**	**	10.7%
Customer B	24.5%	22.9%	24.4%
Customer C	22.5%	**	**

** Less then 10% the Company's sales

E. Marketing

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

G. Order and Purchase Backlog

Order and purchase backlog of the Group as of September 30, 2001 were USD 6,075 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 while in the past long term orders were common. Also operating rolling forecasts are more conservative. This change is a result of the global slowdown trend in the High-Tech & technologies industries. Management estimates that most of this current backlog will be supplied by the end of the third quarter of 2002.

2. <u>Financial position</u>

A. Balance Sheet as at September 30, 2001.

Cash and cash equivalents – these amounted to USD 2,584 thousand at September 30, 2001 compared to USD 2,470 thousand as at December 31, 2000 and USD 2,081 thousand at September 30, 2000. The increase in cash and cash equivalents compared with December 31, 2000 is mainly due to credit facility provided by a bank. This increase was shorten by cash consumption for operating activities.

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 83 thousand at September 30, 2001 compared to USD 490 thousand as at December 31, 2000 and USD 488 thousand at September 30, 2000. The decrease in this item is mainly due to decrease of treasury bonds used for operating activities.

Inventory – Total of USD 3,751 thousand at September 30, 2001 compared to USD 2,588 thousand as at December 31, 2000 and USD 2,430 thousand at September 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 inventory allocated for supplying backlog commitments which was postponed as a result of the global slowdown.

Property, equipment and land – these amounted to USD 8,569 thousand at September 30, 2001 compared to USD 8,329 thousand as at December 31, 2000 and USD 8,216 thousand at September 30, 2000. The increase in this item in nine-month period ended September 30, 2001 is mainly due to the investment made mostly in the first half of this year for establishing the new facility in Taichung.

Other assets – these constitute mainly goodwill in the amount of USD 1,568 thousand arising from the acquisition of MTC. Goodwill is amortized over a period of ten years.

Current liabilities - these amounted to USD 4,024 thousand at September 30, 2001 compared to USD 3,306 thousand as at December 31, 2000 and USD 2,166 thousand at September 30, 2000. The increase in this item compared to December 31, 2000 is composed of both increase in short-term bank credit and increase in other payable due to increase in government institution and related companies .

C. Operating results

Summary of quarterly Statements of Income
US Dollars in thousands

Payton Planar Magnetics Ltd.
Consolidated Income Statements

	Quarter 7-9/01	Quarter 4-6/01	Quarter 1-3/01	Quarter 10-12/00	Quarter 7-9/00
Sales revenues	1,908	2,247	2,514	2,462	1,835
Cost of sales	1,719	1,756	2,054	1,897	1,261
Gross result	*189*	*491*	*460*	*565*	*574*
Development costs	161	166	172	146	170
Selling & marketing expenses	281	341	357	325	209
General & administrative expenses	394	493	468	460	459
Operating loss	*(647)*	*(509)*	*(537)*	*(366)*	*(264)*
Net financial result	(39)	* (43)	(4)	(9)	(113)
Net operating loss after financial result	*(686)*	*(552)*	*(541)*	*(375)*	*(377)*
Issue of share capital in a consolidated subsidiary	7	7	7	5	-
Other income (expenses)	6	* (27)	13	23	1
Result before taxes on income	*(673)*	*(572)*	*(521)*	*(347)*	*(376)*
Tax benefit	-	-	-	(27)	-
Result after taxes on income	*(673)*	*(572)*	*(521)*	*(320)*	*(376)*
Minority interest in losses (earnings) of subsidiaries	92	33	13	52	(6)
Net loss for the period	*(581)*	*(539)*	*(508)*	*(268)*	*(382)*

* Reclassified

The Group's sales revenue for the nine-month period ended September 30, 2001 were USD 6,669 thousand compared with USD 4,848 thousand in the nine-month period ended September 30, 2000, increase of 38%. The Group's sales revenue for the three-month period ended September 30, 2001 were USD 1,908 thousand compared with USD 1,835 thousand in the three-month period ended September 30, 2000. The company succeeded to maintain the sales growth trend in the first nine months of 2001 compare to the same period last year in spite of the global slowdown in the High-Tech industries. Furthermore the small increase in sales in the third quarter of 2001 compared to the same quarter last year and the decrease in sales compare to the second quarter this year is a reflection of the global trend of slowdown in the telecommunication industry.

Gross results – The Group's gross results for the nine-month period ended September 30, 2001 were USD 1,140 thousand (17%)compared with USD 1,003 thousand (21%) in the nine-month period ended June 30, 2000. The Group's gross results for the three-month period ended September 30, 2001 were USD 189 thousand compared with USD 574 thousand in the three-month period ended September 30, 2000. The decrease in the gross results for the above

mentioned periods is attributed among other things to growth in payroll and other manufacturing expenses due to management policy aimed to sales growth that eventually was less than expected.
The preparation for this significant growth at the beginning of the year resulted in expenses that couldn't be reduced in the same timetable as the updated sales.

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 nine-month period ended September 30, 2001 were USD 499 thousand compared with USD 468 thousand in the nine-month period ended September 30, 2000. The group's development costs for the three-month period ended September 30, 2001 were USD 161 thousand compared with USD 170 thousand in the three-month period ended September 30, 2000.

Selling & marketing expenses - The Group's Selling & marketing expenses for the nine-month period ended September 30, 2001 were USD 979 thousand compared with USD 751 thousand in the nine-month period ended September 30, 2000. The Group's Selling & marketing expenses for the three-month period ended September 30, 2001 were USD 281 thousand compared with USD 209 thousand in the three-month period ended September 30, 2000. The increase in this item is a result of a decrease in government support to our continuous international marketing effort. .
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		
	September 30, 2001	**December 31, 2000**
Current ratio[2]	2.12	2.52
Quick ratio[3]	1.19	1.74

B. Cash flow used for operating activities

Cash flow used for operating activities for the nine-month period ended September 30, 2001, was USD 1,362 thousand, compared to the use of cash flow for operating activities of USD 971 thousand for the nine-month period ended September 30, 2000. Cash flow used for operating activities for the three-month period ended September 30, 2001, was USD 1,114 thousand, compared to USD 149 thousand for the three-month period ended September 30, 2000. The change in cash flow used for operating activities during the third quarter of 2001 resulted mostly of the net loss for the period in addition to decrease in trade payables and increase in Inventory.

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

C. Cash flow provided by financing activity

Cash flow provided by financing activity for the nine-month period ended September 30, 2001, was USD 1,494 thousand, compared to the use of cash flow for financing activity of USD 176 thousand for the nine-month period ended September 30, 2000. This change in cash flow provided by financing activity resulted mostly from a credit facility received from a bank amounted US$ 1.5 million.

4. Financing sources

The Group financed its activities during the reported periods mostly from its own resources and from credit facility taken from a bank.

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 valid. 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, 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, November 27, 2001.

Somekh Chaikin

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

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

At your request we reviewed the interim consolidated balance sheet of Payton Planar Magnetics Ltd. and its subsidiaries as at September 30, 2001, the consolidated statements of income, the statements of changes in shareholders' equity and the consolidated statements of cash flows for the nine and three month periods then ended.

Our review was conducted in accordance with procedures prescribed 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 51.66% of the total consolidated assets as at September 30, 2001 and the revenues of which represent 12.43% and 3.54% of the total consolidated revenues for the nine 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 the 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). 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)

November 27, 2001

Consolidated Balance Sheets

	In thousands of U.S Dollars		
	September 30 2001	**September 30 2000**	**December 31 2000**
	(Unaudited)	**(Unaudited)**	**(Audited)**
Cash and cash equivalents	2,584	2,081	2,470
Short-term deposit	350	350	350
Marketable securities and treasury bonds	83	488	490
Trade accounts receivable, net	1,595	1,507	2,157
Other accounts receivable	174	730	281
Inventory	3,751	2,430	2,588
Current assets	8,537	7,586	8,336
Property, equipment and land	8,569	8,216	8,329
Deferred income taxes	36	-	36
Other assets, net	1,591	1,832	1,772
Total assets	18,733	17,634	18,473
Short-term bank credit	219	-	-
Current maturities of long term bank debt	264	306	306
Trade payables	1,725	1,200	1,643
Other payables	1,816	660	1,357
Current liabilities	4,024	2,166	3,306
Unrealized gain from issue of share capital in a subsidiary company	34	-	55
Loan from Payton Industries Ltd. - parent company	858	858	858
Long-term debt, net of current maturities	5,004	3,777	3,699
Liability for employee severance benefits, net	143	111	119
Long-term liabilities	6,039	4,746	4,731
Minority interest in consolidated subsidiaries	4,173	68	4,311
Shareholders of a subsidiary	-	4,261	-
Shareholders’ equity			
Share capital	4,819	4,819	4,819
Share premium	8,942	8,942	8,942
Accumulated deficit	(9,264)	(7,368)	(7,636)
Shareholders’ equity	4,497	6,393	6,125
Total liabilities and shareholders’ equity	18,733	17,634	18,473

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

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Michal Lichtenstein Chief Financial Officer

Rishon Le Zion, November 27, 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)				
	Nine months ended		Three months ended		Year ended
	September 30 2001	September 30 2000	September 30 2001	September 30 2000	December 31 2000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Sales	6,669	4,848	1,908	1,835	7,310
Cost of sales	(5,529)	(3,845)	(1,719)	(1,261)	(5,742)
Gross profit	1,140	1,003	189	574	1,568
Development costs	(499)	(468)	(161)	(170)	(614)
Selling and marketing expenses	(979)	(751)	(281)	(209)	(1,076)
General and administrative expenses	(1,355)	(1,346)	(394)	(459)	(1,806)
Operating loss	(1,693)	(1,562)	(647)	(264)	(1,928)
Financial expense, net	(86)	(16)	(39)	(113)	(25)
Net operating result after financial loss	(1,779)	(1,578)	(686)	(377)	(1,953)
Result from the issue of share capital in a consolidated subsidiary	21	-	7	-	5
Other income, (expense), net	(8)	12	6	1	35
Loss before taxes on income	(1,766)	(1,566)	(673)	(376)	(1,913)
Taxes on income (tax benefit)	-	-	-	-	27
Loss after taxes on income	(1,766)	(1,566)	(673)	(376)	(1,886)
Minority interest in losses (profits) of subsidiaries	138	54	92	(6)	106
Loss for the period	(1,628)	(1,512)	(581)	(382)	(1,780)
Loss per ordinary shares (in US$)	(0.09)	(0.09)	(0.03)	(0.02)	(0.10)

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			
(Unaudited)					
Balance at January 1, 2001	17,600,000	4,819	8,942	(7,636)	6,125
Loss for the period	-	-	-	(1,628)	(1,628)
Balance at September 30, 2001	17,600,000	4,819	8,942	(9,264)	4,497
(Unaudited)					
Balance at January 1, 2000	17,600,000	4,819	8,942	(5,856)	7,905
Loss for the period	-	-	-	(1,512)	(1,512)
Balance at September 30, 2000	17,600,000	4,819	8,942	(7,368)	6,393
(Unaudited)					
Balance at July 1, 2001	17,600,000	4,819	8,942	(8,683)	5,078
Loss for the period	-	-	-	(581)	(581)
Balance at September 30, 2001	17,600,000	4,819	8,942	(9,264)	(4,497)
(Unaudited)					
Balance at July 1, 2000	17,600,000	4,819	8,942	(6,986)	6,775
Loss for the period	-	-	-	(382)	(382)
Balance at September 30, 2000	17,600,000	4,819	8,942	(7,368)	6,393
(Audited)					
Balance at January 1, 2000	17,600,000	4,819	8,942	(5,856)	7,905
Loss for the year	-	-	-	(1,780)	(1,780)
Balance at December 31, 2000	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)				
	Nine months ended		Three months ended		Year ended
	September 30 2001	September 30 2000	September 30 2001	September 30 2000	December 31 2000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Net result for the period	(1,628)	(1,512)	(581)	(382)	(1,780)
Adjustments to reconcile net income to net cash provided by operating activities (A)	266	541	(533)	233	952
Cash flows used in operating activities	(1,362)	(971)	(1,114)	(149)	(828)
Investment in property, equipment and land	(441)	(364)	(74)	(186)	(560)
Investment in other assets	-	(15)	-	(15)	(15)
Short-term deposit	-	186	(60)	150	186
Short-term loan	-	(25)	-	-	-
Sale of equipment	20	25	1	9	24
Sale of marketable securities, net	403	31	126	67	31
Cash flows provided by (used in) investing activities	(18)	(162)	(7)	25	(334)
Receipt of long-term debt	1,500	16	1,500	-	16
Repayment of long-term debt	(225)	(239)	(76)	(73)	(319)
Receipt of short-term bank credit	219	-	219	-	-
Receipt of loan in respect of financial leasing	-	21	-	-	21
Receipts from shareholders of subsidiaries	-	378	-	249	876
Cash flows provided by financing activities	1,494	176	1,643	176	594
Cash and cash equivalents at beginning of period	2,470	3,038	2,062	2,029	3,038
Increase (decrease) in cash and cash equivalents	114	(957)	522	52	(568)
Cash and cash equivalents at end of period	2,584	2,081	2,584	2,081	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)				
	Nine months ended		Three months ended		Year ended
	September 30 2001	September 30 2000	September 30 2001	September 30 2000	December 31 2000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Income and expense items not constituting a current flow of funds:					
Depreciation and amortization	447	419	160	135	564
Capital (gain) loss	(6)	(2)	1	(2)	(2)
Employee severance pay, net	24	34	8	5	42
Translation (gain) loss on long-term debt	(12)	7	(5)	2	10
Minority interests in losses (profits) of subsidiaries	(138)	(54)	(92)	6	(106)
Gain from issue of shares of a subsidiary	(21)	-	(7)	-	(5)
Decrease (increase) in short-term investments	4	14	(1)	35	12
Increase in deferred taxes	-	-	-	-	(36)
Changes in assets and liabilities					
Decrease (increase) in trade receivables	562	(129)	(35)	(67)	(779)
Decrease (increase) in other receivables	107	(136)	57	6	(92)
Increase in inventory	(1,163)	(438)	(440)	(280)	(596)
Increase (decrease) in trade payables	3	615	(355)	344	1,058
Increase in other payables	459	211	176	49	882
	266	541	(533)	233	952

Appendix B - Non cash activities:

Purchase of property and equipment on credit	79	-	79	-	-
Purchase of land from shareholders in subsidiary	-	7,000	-	7,000	7,000
Shareholders in subsidiary	-	380	-	380	-

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

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, 2000.

B. The interim financial statements as at September 30, 2001 and for the periods of nine 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.

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

D. In 2001 the Israel Accounting Standards Board published Accounting Standard No. 7 regarding Subsequent Events, Accounting Standard No. 8 regarding Discontinued Operations and Accounting Standard No. 11 regarding Segment Reporting.

Accounting standard No. 7 will apply to financial statements for periods ending December 31, 2001 and thereafter. Accounting Standards No. 8 and No. 11 will apply to financial statements for periods beginning January 1, 2002. The Company believes that the effect of the new standards on its financial statements will not be significant.

In addition, 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 committee 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

A global trend of slowdown in the High-Tech and the Telecommunication industries prevailed during the first, second and third quarters of 2001. This global trend started in the United States and continued to effect the European marketplace and takes its toll there.

This adjustment in the business effects Company's volume of operation. The company management cannot foresee, at this stage, the financial effect of this global scaling-down.

Note 4 - Operating Segments

	In thousands of US Dollars				
	Nine months ended September 30, 2001 (Unaudited)				
	Israel and Europe (mainly Europe)	**America**	**Asia**	**Adjustments**	**Total**
Net sales and revenues from external customers	5,535	921	213	-	6,669
Inter-segment net sales and revenues	265	95	512	(872)	-
Total net sales and revenues	5,800	1,016	725	(872)	6,669
Operating result	(1,100)	(217)	(202)	(174)	(1,693)

	In thousands of US Dollars				
	Nine months ended September 30, 2000 (Unaudited)				
	Israel and Europe (mainly Europe)	**America**	**Asia**	**Adjustments**	**Total**
Net sales and revenues from external customers	3,896	707	245	-	4,848
Inter-segment net sales and revenues	99	97	248	(444)	-
Total net sales and revenues	3,995	804	493	(444)	4,848
Operating result	(891)	(369)	(128)	(174)	(1,562)

Note 4 - Operating Segments (cont'd)

	In thousands of US Dollars				
	Three months ended September 30, 2001 (Unaudited)				
	Israel and Europe (mainly Europe)	America	Asia	Adjustments	Total
Net sales and revenues from external customers	1,656	252	-	-	1,908
Inter-segment net sales and revenues	140	20	61	(221)	-
Total net sales and revenues	1,796	272	61	(221)	1,908
Operating result	(399)	(71)	(119)	(58)	(647)

	In thousands of US Dollars				
	Three months ended September 30, 2000 (Unaudited)				
	Israel and Europe (mainly Europe)	America	Asia	Adjustments	Total
Net sales and revenues from external customers	1,432	263	140	-	1,835
Inter-segment net sales and revenues	59	91	132	(282)	-
Total net sales and revenues	1,491	354	272	(282)	1,835
Operating result	(154)	(63)	11	(58)	(264)

Note 4 - Operating Segments (cont'd)

	In thousands of US Dollars				
	Year ended December 31, 2000 (Audited)				
	Israel and Europe (mainly 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)