

Consolidated Balance Sheets

(in thousands, except share data)

	June 2007	December 2006
	U.S. Dollars	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	15,457	23,358
Marketable securities	900	2,099
Accounts receivable, net	22,123	29,434
Inventories	38,898	41,414
Due from affiliates	181	180
Other current assets	1,987	2,372
Deferred tax	65	65
Total current assets	<u>79,611</u>	<u>98,922</u>
Fixed assets, net	<u>13,933</u>	<u>10,729</u>
Deferred tax	369	369
Other assets	903	786
	<u>1,272</u>	<u>1,155</u>
Total assets	<u>94,816</u>	<u>110,806</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable –trade	5,137	11,801
Due to affiliates	293	814
Other current liabilities	11,581	12,831
Total current liabilities	<u>17,011</u>	<u>25,446</u>
Convertible loan	5,000	5,000
Liability for employee severance benefits	242	222
Total liabilities	<u>22,253</u>	<u>30,668</u>
SHAREHOLDERS' EQUITY		
Ordinary shares NIS 0.01 par value, authorized 100,000,000 shares, issued 31,060,474 in 2007 and 31,052,474 in 2006, outstanding 30,048,855 in 2007 and 30,040,855 in 2006.	132	132
Additional paid-in capital	59,649	59,420
Accumulated other comprehensive loss		
Unrealized loss on marketable securities	-	(1)
Retained earnings	13,775	21,580
	<u>73,556</u>	<u>81,131</u>
Treasury stock, at cost (1,011,619 shares in 2007 and 2006)	(993)	(993)
Total shareholders' equity	<u>72,563</u>	<u>80,138</u>
Total liabilities and shareholders' equity	<u>94,816</u>	<u>110,806</u>

Consolidated Statements of Operations

(in thousands, except share data)

	Six Months ended June 30,		Three Months ended June 30,		Year ended
	2007	2006	2007	2006	2006
	U.S. dollars		U.S. dollars		U.S. dollars
Revenues	29,776	52,756	15,307	27,876	100,055
Cost of revenues	17,523	24,477	9,061	12,660	48,442
Gross profit	12,253	28,279	6,246	15,216	51,613
Research and development costs	6,795	4,894	3,047	2,457	11,831
Selling, general and administrative expenses	13,000	13,523	6,356	7,314	27,850
	19,795	18,417	9,403	9,771	39,681
Operating income (loss)	(7,542)	9,862	(3,157)	5,445	11,932
Financial income (expenses), net	(179)	26	(312)	(80)	(288)
Income (loss) before income taxes	(7,721)	9,888	(3,469)	5,365	11,644
Income tax	(84)	(270)	(18)	(170)	(41)
Net income (loss)	(7,805)	9,618	(3,487)	5,195	11,603
Net income (loss) per ordinary share:					
Basic	(0.26)	0.34	(0.11)	0.18	0.40
Diluted	(0.26)	0.33	(0.11)	0.17	0.39
Weighted average number of ordinary shares outstanding:					
Basic	30,230	28,270	30,232	29,173	29,176
Diluted	30,230	29,617	30,232	30,531	29,553