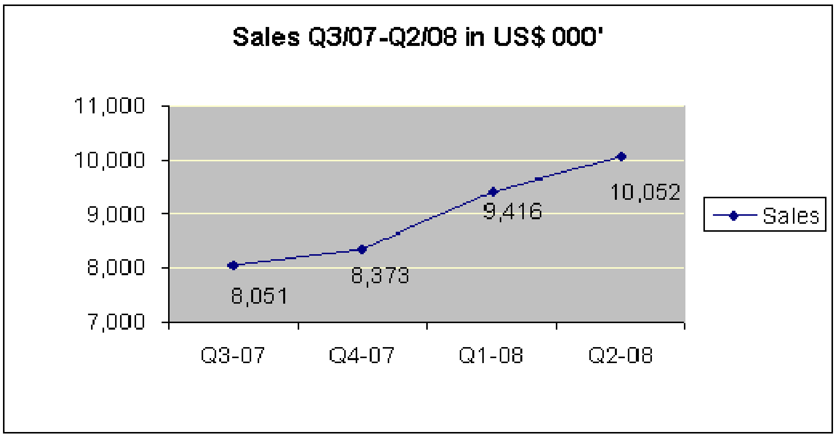
Electronics Line 3000 Announces Results for First Half of 2008

Steady Revenue Growth for the Past Three Quarters, Culminates at a Two Year Revenue Peak

Petach Tikva, Israel (August 7, 2008) – Electronics Line 3000 Ltd. ("EL3K" or "the Company") (XETRA: ELN), a leading global provider of wireless security with remote management solutions announced its financial results for the first half and second quarter of 2008 in U.S Dollars.

Financial Highlights

Revenues for the first half of 2008 were $19.5 million, an increase of 8% compared to $17.9 million for the first half of 2007. Revenues for the second quarter of 2008 came in at $10.1 million, up 16% compared to $8.7 million for the second quarter of 2007.



- Gross margin was 39% for both the first six months and second quarters of 2008, compared to 40% for the first six months and second quarters of 2007.

  Despite hedging measures, the significant 16% devaluation of the U.S. Dollar against the New Israeli Shekel over the past year (average value of 3.52 NIS per $ during the first six months of 2008, compared to 4.15 NIS per $ for the comparable half of 2007) resulted in an erosion of the gross margin; due to the fact that while the majority of the Company's revenues are in U.S. Dollars, most of its operational costs are in New Israeli Shekels.

- Operating profit for the first half of 2008 was $147,000, compared to $463,000 for the first half of 2007. Operating profit for the second quarter of 2008 was $82,000 compared to $24,000 for the comparable quarter in 2007.

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R&D expenses increased during the first half of 2008, as the Company continued to invest resources in accelerated and advanced product development. As the Company intends to provide better transparency regarding its operating performance, R&D expenses for the first half of 2008 were expensed to the P&L account, in compliance with the International Accounting Policy (IFRS).

- Net loss for the first half of 2008 was $497,000, compared to a net profit of $167,000 for the first half of 2007. Net loss for the second quarter of 2008 was $212,000, compared to a net loss of $68,000 for the second quarter of 2007.

- Basic and diluted net loss per share for the first half of 2008 was $0.05, compared to an earning of $ 0.02 for the first half of 2007. Basic and diluted net loss per share was $0.02 for the second quarter of 2008, compared to a loss of $0.01 for the comparable quarter in 2007.

- Net cash provided by operating activities for the first half of 2008 was $1.7 million, compared to $1.1 million net cash used in operating activities for the first half of 2007. Net cash provided by operating activities for the second quarter of 2008 was $1.3 million, compared to $771,000 for the comparable quarter of 2007.

Outlook

Electronics Line 3000's revenues have steadily grown over the past three quarters, resulting in Q2 revenues at a 24 months' record. This growth is the result of the ongoing execution of the Company's strategy, characterized by a shift from working with traditional security distribution channels to a focus on prominent service providers and value-added resellers. As such, the Company has now successfully established a broader and more solid customer base. Nine of the Company's current customers represent an annual revenue potential of over $1 million each, providing a more stable operating base.

Furthermore, the first half of 2008 saw the majority of the Company's large-scale customers significantly increase their order volumes and commercial activities. The Company's top 15 customers generated $9.9 million in the first half of 2008, compared to an average of $5.9 million during the first and second halves of 2007, reflecting 66% growth.

Moreover, during the first half of 2008, the Company acquired six new significant customers, including major value-added resellers, service providers and monitoring companies from Europe, Latin America and South Africa. To date, these six new partners have purchased residential security and control solutions valued at over $2 million. According to their forecasts, these customers are expected to purchase a total of over $3.5 million of Electronics Line 3000 systems by the end of 2008.

Completing the new distribution channel focus, the increase in revenues was largely driven by the Company's newly developed product lines and value proposition, spearheaded by iConnect, launched in Q1 of 2008, which was received with great enthusiasm by the market.

Mr. Amir Hayek, President and CEO commented: "We are pleased with the strong revenue performance which validates our strategy. We believe that we are well underway in establishing a wide, stable and growing customer base, allowing us to achieve steady and continuous growth. We have succeeded not only in retaining and nurturing our existing partners, but also have created new partnerships from among our strategic channels. At the same time, we are continually working on developing next generation solutions to keep providing our customers and the market with the latest technology and lifestyle developments".

Mr. Ron Chaimovski, Vice Chairman of the Board of Directors added: "The Company's focused business plan which utilizes the strengths of our R&D, sales and marketing departments, has enabled us to achieve a broader customer base worldwide. We, as the Board of Directors, are pleased to see this targeted progress for three quarters running and are satisfied with the strategy the Company is implementing and the results we are now seeing."

Summary financial tables are listed below. Please see the Director's Report posted on the website for more details and the accompanying notes which are an integral part of the interim 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 20 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

	June 30, 2008	June 30, 2007	December 31, 2007
	Unaudited	Unaudited	Audited
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	3,790	2,418	3,128
Trade receivables	7,977	9,777	8,295
Income tax receivable	262	194	225
Prepaid expenses	261	347	416
Advances to suppliers	263	214	187
Other accounts receivable	452	465	440
Inventories	7,006	8,745	8,611
Total current assets	20,011	22,160	21,302
NON CURRENT ASSETS:			
Property, plant and equipment:			
Cost	14,495	14,017	14,397
Less - accumulated depreciation	9,833	8,777	9,441
	4,662	5,240	4,956
Intangible assets, net	-	5,765	-
Deferred taxes	784	379	788
Security deposits	85	110	85
Total non current assets	5,531	11,494	5,829
Total assets	25,542	33,654	27,131
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term credit from banks and others	9,262	4,785	9,832
Trade payables	3,470	5,231	4,102
Accrued expenses	526	345	283
Income tax payable	244	96	201
Other current liabilities	2,006	2,106	2,350
Total current liabilities	15,508	12,563	16,768
LONG-TERM LIABILITIES:			
Bank loans	94	3,400	85
Accrued severance pay, net	771	588	612
Total long-term liabilities	865	3,988	697
EQUITY:			
Share capital	10,933	10,933	10,933
Additional paid-in capital	6,559	6,511	6,535
Foreign currency translation reserve	2,173	2,188	2,191
Hedges reserves	(6)	-	-
Accumulated deficit	(10,490)	(2,529)	(9,993)
Total equity	9,169	17,103	9,666
Total liabilities and equity	25,542	33,654	27,131

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

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2008	2007	2008	2007	2007
	Unaudited				Audited
Revenues	19,468	17,949	10,052	8,683	34,373
Cost of revenues	11,858	10,718	6,157	5,175	21,041
Gross profit	7,610	7,231	3,895	3,508	13,332
Operating costs and expenses:					
Research and development	1,881	885	967	433	1,981
Selling and marketing	4,001	4,437	2,053	2,356	8,656
General and administrative	1,581	1,446	793	695	2,648
Impairment of intangible assets	-	-	-	-	6,130
Total operating costs and expenses	7,463	6,768	3,813	3,484	19,415
Operating profit (loss)	147	463	82	24	(6,083)
Financial income	24	131	10	121	123
Financial expenses	(581)	(395)	(285)	(169)	(1,083)
Other income (expenses), net	2	3	-	-	(448)
Profit (loss) before taxes on income	(408)	202	(193)	(24)	(7,491)
Taxes on income (tax benefit)	89	35	19	44	(194)
Net profit (loss)	(497)	167	(212)	(68)	(7,297)
Net earnings (loss) per share (basic and diluted)	(0.05)	0.02	(0.02)	(0.01)	(0.72)

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CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2008	2007	2008	2007	2007
	Unaudited				Audited
Cash flows from operating activities:					
Profit (loss) before taxes on income	(408)	202	(193)	(24)	(7,491)
Adjustments for:					
Depreciation and amortization	-	-	-	-	1,343
Impairment of intangible assets	446	590	221	293	6,130
Loss (gain) on sale of property, plant and equipment	(2)	1	-	-	1
Increase in accrued severance pay	159	58	33	(2)	82
Cost of share-based payments	24	70	18	18	94
Financial expenses, net	557	264	274	48	960
Operating cash flows before working capital changes	775	1,185	353	333	1,119
Decrease (increase) in trade receivables	292	63	(285)	825	1,547
Decrease (increase) in prepaid expenses and other accounts receivable	60	(205)	429	(18)	(221)
Decrease (increase) in inventories	1,587	(1,668)	640	(1,185)	(1,530)
Increase in security deposits	-	-	-	-	25
Decrease in trade payables	(632)	539	87	621	(592)
Increase (decrease) in accrued expenses	243	(227)	168	134	(289)
Decrease in other current liabilities	(302)	(618)	200	154	(379)
	1,248	(2,116)	1,065	531	(1,439)
Cash provided by (used in) operations	2,024	(931)	1,418	864	(320)
Interest received	25	13	23	3	29
Interest paid	(223)	(204)	(131)	(79)	(548)
Income taxes received	-	5	-	-	5
Income taxes paid	(78)	(33)	424	(17)	(139)
Net cash provided by (used in) operating activities	1,748	(1,150)	1,259	771	(973)
Cash flows from investing activities:					
Acquisition of intangible assets	-	(425)	-	(247)	(880)
Acquisition of property, plant and equipment	(165)	(230)	(22)	(154)	(609)
Proceeds from sale of equipment	15	24	-	-	24
Net cash used in investing activities	(150)	(631)	(22)	(401)	(1,465)
Cash flows from financing activities:					
Proceeds from exercise of options	-	83	-	-	83
Increase (decrease) in short-term bank credit, net	(328)	1,945	(1,042)	(494)	(66)
Repayment of loan from shareholders	-	(150)	-	(150)	(150)
Receipt of long-term loans from banks and others	-	-	-	-	4,077
Repayment of long-term loans from banks	(600)	(600)	(200)	(100)	(1,300)
Net cash provided by financing activities	(928)	1,278	(1,242)	(744)	2,644

Effect of exchange differences on cash and cash equivalents of foreign operation	(8)	15	1	18	16
Increase (decrease) in cash and cash equivalents	662	(488)	(4)	(356)	222
Cash and cash equivalents at beginning of period	3,128	2,906	3,794	2,774	2,906
Cash and cash equivalents at end of period	3,790	2,418	3,790	2,418	3,128