

## CONSOLIDATED BALANCE SHEETS

	March 31, 2007	December 31, 2006
	U.S. \$	
	(in thousands)	
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents .....	119,536	116,402
Short-term investments.....	11,473	12,438
Marketable securities available for sale.....	4,239	3,646
Trade receivables .....	147,440	147,396
Other accounts receivable.....	28,197	23,037
Inventories .....	3,590	3,080
	<u>314,475</u>	<u>305,999</u>
<b>LONG-TERM INVESTMENTS, LOANS AND RECEIVABLES:</b>		
Loans and other investments.....	10,057	4,082
Investments in affiliates.....	-	-
	<u>10,057</u>	<u>4,082</u>
<b>SEVERANCE PAY FUND</b> .....	<u>35,034</u>	<u>28,239</u>
<b>FIXED ASSETS, NET</b> .....	<u>17,812</u>	<u>18,458</u>
<b>OTHER ASSETS, NET</b> .....	<u>234,174</u>	<u>232,957</u>
	<u>611,552</u>	<u>589,735</u>
<b>CURRENT LIABILITIES:</b>		
Liabilities to banks and others .....	26,185	41,023
Trade payables .....	54,507	54,461
Other accounts payable.....	88,421	73,693
Debentures .....	10,941	8,932
Customer advances, net of work in progress.....	-	-
	<u>180,054</u>	<u>178,109</u>
<b>LONG-TERM LIABILITIES:</b>		
Debentures.....	19,579	24,113
Provision for losses in formerly owned investee.....	1,971	1,971
Deferred taxes.....	390	457
Customer advances.....	1,846	449
Liabilities to banks and others .....	89,397	79,380
Liability in respect of the acquisition of activities.....	1,461	1,489
Accrued severance pay .....	42,787	35,337
	<u>157,431</u>	<u>143,196</u>
<b>MINORITY INTEREST</b> .....	<u>115,665</u>	<u>115,140</u>
<b>SHAREHOLDERS' EQUITY</b> .....	<u>158,402</u>	<u>153,290</u>
	<u>611,552</u>	<u>589,735</u>

**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**

	<b>Three months ended March 31, 2007</b>	<b>Three months ended* March 31, 2006</b>
	<b>U.S.\$</b>	
	<b>(in thousands, except per share data)</b>	
Revenues.....	136,136	113,459
Cost of revenues.....	92,160	76,604
Gross profit.....	43,976	36,855
Research and development costs, net.....	6,932	3,972
Selling, general and administrative expenses.....	26,799	26,520
Depreciation and amortization.....	904	1,294
Restructuring and non-recurring costs.....	129	635
Operating income.....	9,212	4,434
Financial expenses, net.....	2,586	1,656
	6,626	2,778
Gain (loss) on realization of investments.....	321	(66)
Other expenses, net.....	(241)	(40)
Income before taxes on income.....	6,706	2,672
Taxes on income.....	874	935
	5,832	1,737
Equity in profits of affiliated companies, net.....	151	87
Minority interest in profits, net.....	2,828	1,390
Net income generated from continued operation.....	2,853	434
Discontinuing operation, net.....	-	3,810
Net income.....	2,853	4,244
<b>Earnings per share generated from continued operation :</b>		
Basic.....	0.22	0.01
Diluted.....	0.21	0.02
<b>Earnings per share generated from discontinuing operation :</b>		
Basic.....	-	0.31
Diluted. Basic.....	-	0.28
<b>Weighted average number of shares outstanding:</b>		
Basic.....	13,200	13,200
Diluted.....	13,200	13,200

\* reclassified.