

**Embargoed until 7:00AM, Tuesday , September 4<sup>th</sup>, 2007**

## **Visonic Interim Results**

Visonic (LSE: VSC.L; TASE: VSC.TA), the international developer and manufacturer of electronic security systems (alarms) and home management systems, announces its Interim Results for the half year ended 30 June 2007.

### **Key Points**

- Group sales showed a strong growth of 13%
- Strong balance sheet with \$12.6m in cash and equivalents
- Profit before tax decreased to \$1.0m (from \$4.4m in H1-2006)
- Decline in earnings per share (from 9.6 cents in H1-2006) to 2.3 cents in H1-2007
- Continued adverse currency movements impacted on margins
- Slower than expected recovery at Visonic Technologies
- Increased investment in R&D and sales and marketing
- Major new product, PowerMax Pro, well received by market

### **Chairman's & CEO's Statement**

#### **Results Overview**

The Group's revenues in the first half of 2007 (to 30 June) showed a strong 13% increase to \$37.1 million over the \$32.7 million achieved in the first half of 2006.

Sales by business segments showed mixed results. The Group's core business achieved sales growth of almost 15%. This result reflects the success of Visonic's strategy of building sales by developing new channels to market; the impact of the introduction of sophisticated new products such as the PowerMax Pro, made possible by Visonic's intensive Research & Development (R&D) programme; the elimination of the production and delivery problems suffered last year; and not least, the efforts of our Sales Team.

Sales of the Location Tracking Systems division, which largely comprises Visonic Technologies ("VT") Real Time Location Solutions, were almost flat.

Sales of core business products across all the Group's major geographic markets were encouraging: revenues in our domestic market, Israel, showed a substantial increase of 27.3%. Sales to the UK were markedly strong, up 23.1%; sales to North America showed an increase of 13.5%; sales to the former Soviet Union grew dramatically by 69.9% from a low base, reflecting a new contract with our distributor and finally, sales to Mainland Europe rose by 10.2%.

A number of adverse factors continued to maintain pressure on Visonic's margins in the first half. About half of the shortfall against our budgeted figures related to continued unfavourable currency movements and a slower than expected recovery at Location Tracking Systems. In addition, some price erosion was suffered in the core business and we increased our investments in R&D, essential to maintain Visonic's market-leading position in wireless technologies and in Sales and Marketing. A significant part of the increase in Sales and Marketing expenses relates to a major worldwide

customer meeting in Portugal. We hold these events, aimed at enhancing customer relationships, every three to four years.

As a result of these factors, the gross profit margin was 41.7% against 48.7% for the first half of 2006 and profit before tax decreased to \$1.0m (H1-2006 \$4.4m). The average tax rate was reduced to 8% in the interim period reflecting a lowering of the tax rate in Israel and the tax benefits to which the company is entitled as an Approved Enterprise. For this reason, earnings per share were 2.3 cents (H1-2006 9.6 cents).

The Group's balance sheet remained strong with \$12.6m in cash and cash equivalents. Equity represented 64% of the balance sheet total. Cash flow from operating activities was, however, negative and amounted to \$2.6 million, mainly because of an increase in trade receivables of \$3.7 million, which was caused by strong sales during the last two months of the period.

### **Core Business**

Visonic's ongoing commitment to investment in R&D supports a robust new product development and upgrade programme. The flagship product, the PowerMax Pro wireless security system, provides internet accessible home and office security and control and coupled with the PowerLink peripheral, extends this coverage to internet based visual surveillance.

The Group's range of comprehensive solutions for the residential environment have proven attractive to new distribution partners such as global telecommunications and utilities companies. The Group signed a number of technology development and supplier agreements during the first six months of 2007 with companies including Prosegur, MITGAS and Eureka.

In the reported period, the Company launched a new model of the Amber System, Amber Select, enabling Bluetooth connectivity to Telemedicine devices to European standards.

### **Location Tracking Systems**

During the first half, VT signed a technology development agreement with Ascom (Sweden) AB, a global leader in on-site wireless solutions for mission-critical communications in healthcare, industry, secure establishments, hotels and retail. VT supplied and will continue to supply to Ascom, Elpas RTLS and Active RFID healthcare-enabled products for integration into Ascom's next-generation Wireless Nurse Call solutions.

### **Outlook**

The Board has carried out a thorough review of the first half performance and has maintained a programme of cost reduction and efficiency improvements which is expected to save over US\$1 million in the course of a full year. The effects of this programme will become apparent towards the end of 2007, with the full benefit to be achieved in 2008.

Yaacov Kotlicki  
**Chairman**

Dr. Avi Shachrai  
**President & CEO**

3 September 2007

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## INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

	As of 30 June		As of
	2007	2006	31 December
	US\$ '000	US\$ '000	2006
	Unaudited		Audited
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	8,634	8,221	7,624
Short-term deposits	3,777	9,830	8,000
Available-for-sale financial assets	171	159	168
Held-to-maturity investments	-	2,509	1,000
Trade receivables	20,302	17,480	16,621
Income tax receivable	2,725	*) 1,485	1,837
Other accounts receivable	2,379	*) 1,559	2,288
Inventories	13,516	10,313	14,425
<b>Total current assets</b>	<b>51,504</b>	<b>51,556</b>	<b>51,963</b>
<b>NON-CURRENT ASSETS:</b>			
Property and equipment, net	5,895	*) 4,662	5,909
Prepaid expenses	611	684	667
Deferred tax assets	1,277	1,554	1,409
Intangible assets, net	4,213	*) 3,463	3,953
Other investment	1,190	920	1,190
<b>Total non-current assets</b>	<b>13,186</b>	<b>11,283</b>	<b>13,128</b>
<b>Total assets</b>	<b>64,690</b>	<b>62,839</b>	<b>65,091</b>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Credit from banks and current maturities of long-term loans	1,585	6,860	1,176
Trade payables	8,920	8,646	10,595
Employees benefits	2,578	2,264	2,404
Related companies	-	51	53
Other current liabilities	2,754	1,780	2,308
<b>Total current liabilities</b>	<b>15,837</b>	<b>19,601</b>	<b>16,536</b>
<b>LONG-TERM LIABILITIES:</b>			
Bank loans	7,000	3,115	7,000
Employees benefits liability	159	86	107
<b>Total long-term liabilities</b>	<b>7,159</b>	<b>3,201</b>	<b>7,107</b>
<b>EQUITY:</b>			
Share capital	21	21	21
Share premium	23,468	23,207	23,354
Net unrealized gains (losses) reserve	1	(11)	(2)
Retained earnings	18,204	16,820	18,075
<b>Total equity</b>	<b>41,694</b>	<b>40,037</b>	<b>41,448</b>
<b>Total liabilities and equity</b>	<b>64,690</b>	<b>62,839</b>	<b>65,091</b>

\*) Reclassified

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

3 September 2007

Date of approval of the  
financial statements

Yaacov Kotlicki  
Chairman of the Board

Dr. Avigdor Sacharai  
Chief Executive Officer

Yair Naaman  
Chief Financial Officer

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Six months ended 30 June		Year ended 31 December
	2007	2006	2006
	US\$ '000	US\$ '000	US\$ '000
	Unaudited		Audited
Sales	37,070	32,723	65,802
Cost of sales	(21,713)	(16,782)	(35,691)
Gross profit	15,357	15,941	30,111
Research and development costs, net	(3,382)	(2,327)	(5,270)
Selling and marketing expenses	(8,828)	(7,172)	(15,222)
General and administrative expenses	(2,156)	(2,299)	(4,270)
Share-based payments expense	(114)	(78)	(150)
Operating expenses	(14,480)	(11,876)	(24,912)
Operating profit	877	4,065	5,199
Financial income	425	*) 562	1,319
Financial expenses	(268)	*) (224)	(499)
Other income (expenses), net	9	7	(5)
Profit before taxes on income	1,043	4,410	6,014
Taxes on income	(87)	(464)	(813)
Net profit	956	3,946	5,201
Basic earnings per share (in cents)	2.3	9.6	12.6
Diluted earnings per share (in cents)	2.2	9.5	12.5

\*) Reclassified.

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company				
	Share capital	Share premium paid-in capital	Net unrealized gains (losses) reserve	Retained earnings	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
<b>Six months ended 30 June 2007 (Unaudited)</b>					
Balance at beginning of period	21	23,354	(2)	18,075	41,448
Net gain on available-for-sale financial assets	-	-	3	-	3
Exercise of options	*) -	*) -	-	-	*)
Share-based payments expense	-	114	-	-	114
Dividend	-	-	-	(827)	(827)
Net profit	-	-	-	956	956
Balance at end of period	<u>21</u>	<u>23,468</u>	<u>1</u>	<u>18,204</u>	<u>41,694</u>
<b>Six months ended 30 June 2006 (Unaudited)</b>					
Balance at beginning of period	21	22,740	35	12,874	35,670
Net loss on available-for-sale financial assets	-	-	(46)	-	(46)
Exercise of options	*) -	389	-	-	389
Share-based payments expense	-	78	-	-	78
Net profit	-	-	-	3,946	3,946
Balance at end of period	<u>21</u>	<u>23,207</u>	<u>(11)</u>	<u>16,820</u>	<u>40,037</u>
<b>Year ended 31 December 2006 (Audited)</b>					
Balance at beginning of year	21	22,740	35	12,874	35,670
Net gains on available-for-sale financial assets	-	-	(37)	-	(37)
Exercise of options	*) -	464	-	-	464
Share-based payments expense	-	150	-	-	150
Net profit	-	-	-	5,201	5,201
Balance at end of year	<u>21</u>	<u>23,354</u>	<u>(2)</u>	<u>18,075</u>	<u>41,448</u>

\*) Represents an amount lower than \$ 1 thousand.

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June		Year ended 31 December
	2007	2006	2006
	US\$ '000	US\$ '000	US\$ '000
	Unaudited		Audited
<u>Cash flows from operating activities:</u>			
Net profit	956	3,946	5,201
Adjustments to reconcile net profit to net cash provided by operating activities (a)	(3,526)	(2,093)	(2,626)
Net cash provided by (used in) operating activities	(2,570)	1,853	2,575
<u>Cash flows from investing activities:</u>			
Short-term deposits, net	4,223	(1,730)	100
Proceeds from sale of available-for-sale financial assets	-	1,032	1,032
Proceeds from held to maturity investments	1,000	2,000	3,500
Acquisition of intangible assets	(603)	** (1,094)	(1,871)
Proceeds from sale of property and equipment	-	-	35
Purchase of property and equipment	(683)	** (624)	(2,539)
Investment in other investment	-	(920)	(1,190)
Net cash provided by (used in) investing activities	3,937	(1,336)	(933)
<u>Cash flows from financing activities:</u>			
Dividend paid	(713)	-	-
Exercise of options	*) -	389	464
(Decrease) increase in balances with related party	(53)	-	2
Receipt of long-term loans from banks	-	-	4,000
Repayment of long-term loans from banks	-	(114)	(6,229)
Short-term bank credit, net	409	408	724
Net cash provided by (used in) financing activities	(357)	683	(1,039)
Increase in cash and cash equivalents	1,010	1,200	603
Cash and cash equivalents at the beginning of the period	7,624	7,021	7,021
Cash and cash equivalents at the end of the period	8,634	8,221	7,624
<u>Non-cash activities:</u>			
Dividend payable	114	-	-

\*) Represents an amount lower than \$ 1 thousand.

\*\*) Reclassified.

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June		Year ended 31 December
	2007	2006	2006
	US\$ '000	US\$ '000	US\$ '000
	Unaudited		Audited
<b>(a) <u>Adjustments to reconcile net profit to net cash provided by (used in) operating activities:</u></b>			
Income and expenses not involving cash flows:			
Depreciation and amortization	1,040	934	1,862
Deferred taxes, net	132	(261)	(116)
Decrease in accrued severance pay liability	52	-	21
Income (loss) from sales of available-for-sale financial assets	-	(41)	41
Gain from sale of property and equipment, net	-	(9)	(17)
Interest on held-to-maturity investments	-	32	(41)
Share-based payments expense	114	78	150
Changes in asset and liability items:			
Increase in trade receivables	(3,681)	(3,144)	(2,285)
Increase in income tax receivable	(888)	**) (948)	**) (1,300)
Decrease (increase) in other accounts receivable	(91)	**) 300	**) (429)
Decrease (increase) in inventories	909	(998)	(5,110)
Decrease in long-term prepaid expenses	56	23	40
Increase (decrease) in trade payables	(1,675)	2,190	4,139
Increase in employees benefits	174	309	449
Increase (decrease) in other current liabilities	332	(558)	(30)
	(3,526)	(2,093)	(2,626)
<b>(b) <u>Supplemental disclosure of cash flows information:</u></b>			
Cash paid during the period for:			
Interest	439	209	449
Income taxes	879	1,072	2,012
Cash received during the year for:			
Interest	271	396	772

\*\*) Reclassified.

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****NOTE 1:- GENERAL**

These financial statements have been prepared in a condensed format as of 30 June 2007 and for the six month period then ended. These interim financial statements are to be read in conjunction with the annual financial statements of the Company as of 31 December 2006, and their accompanying notes.

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES AND METHODS OF COMPUTATIONS**

These interim condensed financial statements for the six months ended 30 June 2007 have been prepared in accordance with IAS 34, "Interim Financial Reporting".

The significant accounting policies and methods of computations applied in the preparation of the interim financial statements are the same as those applied in the annual financial statement as of 31 December 2006.

**NOTE 3:- DIVIDEND PAID**

On June 25, 2007, the Company distributed dividend in the amount of £ 0.01 per share.

The total dividend amounted to \$ 827 thousand, of which \$ 713 thousand was paid in cash.

The remaining \$ 114 thousand were recorded as a short-term liability.

	<b>30 June</b>	
	<b>2007</b>	<b>2006</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
	<b>Unaudited</b>	
Dividends on Ordinary shares declared and paid during the six month period:		
Final dividend for 2007	<u>827</u>	<u>-</u>

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****NOTE 4:- SHARE-BASED PAYMENT**

During the six months ended June 30, 2007 781,000 shares options were granted to senior executives and other employees under the stock options plan. The exercise price of the options is equal to the market price of the shares on the date of grant. The fair value of the options granted is estimated at the date of grant using the Black & Scholes pricing model, taking into account the terms and conditions upon which the options were granted. The contractual life of each option granted is until 31 December 2013. There are no cash settlement options. The weighted average fair value of options granted during the six months ended 30 June 2007, was estimated on the date of grant using the following assumptions:

Expected volatility (%)	37.03
Risk free interest rate (%)	5.54
Expected life (years)	5.05
Share price (£)	0.792

**NOTE 5:- SEGMENT REPORTING**

## a. General:

1. The Group companies operate in two principal business segments: location tracking systems and security and home management.
2. All revenues and expenses are allocated directly to the business segments.

## b. The following data is presented in accordance with IAS 14:

	<b>Six months ended 30 June 2007 (Unaudited)</b>			
	<b>Security and home management</b>	<b>Location tracking systems</b>	<b>Adjustments</b>	<b>Total consolidated</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>
Total revenues	34,091	2,979	-	37,070
Segment operating profit	1,182	(305)	-	877
Unallocated financial income, net				157
Other income, net				9
Taxes on income				(87)
Net profit				956

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**NOTE 5:- SEGMENT REPORTING (Cont.)**

	<b>Six months ended 30 June 2006 (Unaudited)</b>			
	<b>Security and home management</b>	<b>Location tracking systems</b>	<b>Adjustments</b>	<b>Total consolidated</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>
Total revenues	29,725	2,998	-	32,723
Segment operating profit (loss)	4,145	(80)	-	4,065
Unallocated financial income, net				338
Other income, net				7
Taxes on income				(464)
Net profit				3,946

	<b>Year ended 31 December 2006 (Audited)</b>			
	<b>Security and home management</b>	<b>Location tracking systems</b>	<b>Adjustments</b>	<b>Total consolidated</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>
Total revenues	59,869	5,933	-	65,802
Segment operating profit (loss)	5,603	(404)	-	5,199
Unallocated financial income, net				820
Other expenses, net				(5)
Taxes on income				(813)
Net profit				5,201

- c. Geographical split of sales: Below are the consolidated sales of the Group according to geographic markets without taking into account the location where the product was manufactured.

	<b>Six months ended 30 June</b>		<b>Year ended 31 December 2006</b>
	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>
	<b>Unaudited</b>		<b>Audited</b>
Mainland Europe	21,026	*) 19,076	35,650
North America	6,495	5,723	13,245
U.K.	3,818	3,102	6,366
Israel	2,083	1,636	3,619
Far East and Pacific	925	1,190	2,539
Other	2,723	*) 1,996	4,383
	<u>37,070</u>	<u>32,723</u>	<u>65,802</u>

\*) Reclassified

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 6:- SUBSEQUENT EVENTS**

Subsequent to the balance sheet date, the Company has invested an amount of \$ 2.5 million in triple A rated securities. The securities may be liquidated monthly. Due to current market liquidity conditions, the Company could not liquidate the securities during August 2007. The Company intends to liquidate the securities in September 2007.

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