



19 octobre, 2009

ATTESTATION SUR LES COMPTES SEMESTRIEL DE L'EXERCICE CLOS LE 30/06/2009 :

J'atteste, à ma connaissance, que les comptes sont établis conformément aux normes comptables applicables et donnent une image fidèle du patrimoine, de la situation financière et du résultat de la société et de l'ensemble des entreprises comprises dans la consolidation et que le rapport de gestion ci-joint présente un tableau fidèle de l'évolution des affaires, des résultats et de la situation financière de la société et de l'ensemble des entreprises comprises dans la consolidation ainsi qu'une description des principaux risques et incertitudes auxquels elles sont confrontées.

M Jacques BELIN

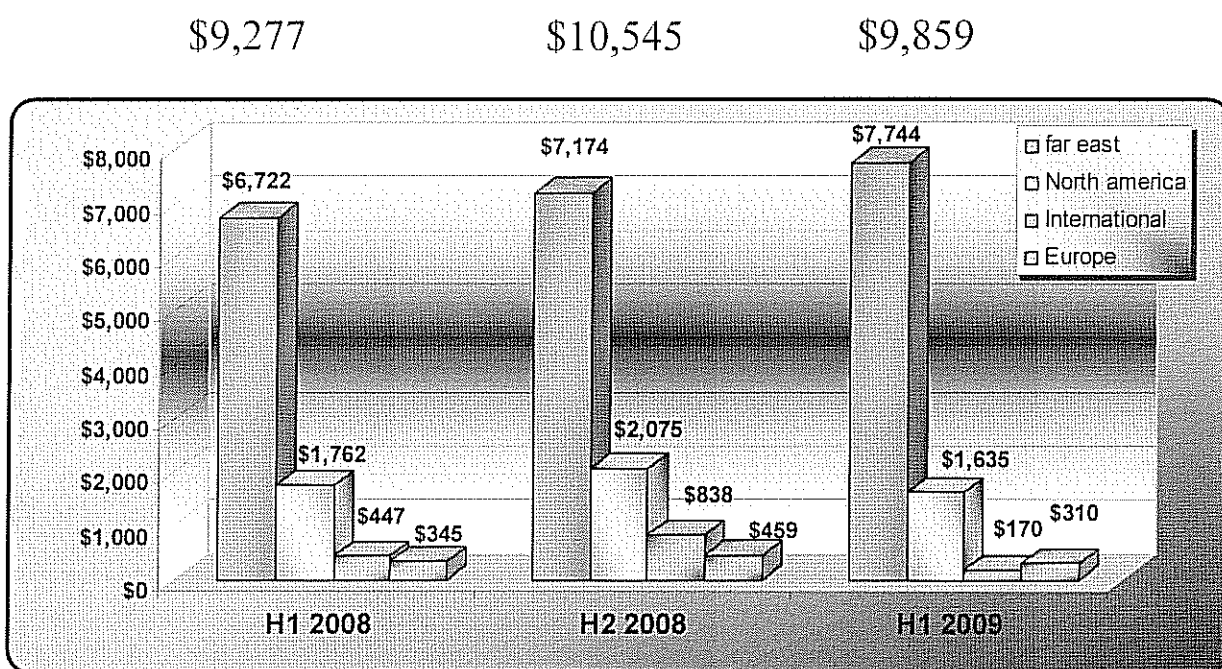
A handwritten signature in black ink, appearing to read 'J. Belin', is written over a horizontal line.

Président du Conseil d'Administration



Management Report
On first six months ended June 30, 2009

During the first half of 2009, CMT Medical Technologies generated sales of USD 9.85 million, as compared to USD 9.82 million for the same period in 2008.



*Geographical breakdown
 Revenues from sales of products*

Gross profit reached 46.6% compared to 36.47% for the year 2008. The mix of products sold and a favorable NIS/USD exchange rate are key factors in the improvement of the margin.

Operation expenses reached USD 6.74 million compared to USD 5.48 million for the same period last year. The R&D and selling and marketing expenses showed a decrease while the G&A increased due to non-recurring expenses.



The cash position as of June 30, 2009 reached USD 14.4 million compared to USD 13.786 million on December 31, 2008.

Main events

Following the completion of the tender offer, the Company has commenced initial discussions with its parent company, Thales SA, regarding possible cooperation for the benefit of the Company and its shareholders.

As of June 30, 2009, the Company has been distributing its products in the United States through its wholly-owned U.S. subsidiary, CMT Inc. The Company has been exploring with Thales the possibility of taking certain cooperative measures with Thales for the benefit of the Company and its shareholders, including measures that are intended to reduce the cost of distributing the Company's products in the United States. As part of this initiative, effective July 1, 2009, CMT Inc. terminated its office space lease in New Jersey and moved its office to the premises of Thales Components Corporation, a U.S. subsidiary of Thales ("TCC"). The Company is expected to compensate TCC for the use of its premises and for related services provided by TCC in the United States. In addition, the Company is considering other measures that may result in further cooperation with Thales for the benefit of the Company and its shareholders.

On October 19, 2009 the Board of Director of CMT approved a Distribution Agreement (the "Agreement") between the Company and Thales Electron Devices S.A. ("TED"), a Thales SA affiliate. The objective of the Agreement is to promote the distribution and sales of the Company's products using TED extensive marketing and selling network. The Agreement is non-exclusive and sets forth the obligations of both parties. The obligations, selling terms and conditions are in line with comparable distribution agreements existing in the Company. The Agreement is valid for 12 months and renewable for same additional periods.



Main risk sources

Main Customer Risk:

The Company currently sells its products to one main customer that sells the Company's products in various geographical areas. The Company expects this customer to continue to account for a substantial percentage of the Company's revenues in the coming years. Should this customer cease doing business with the Company, its results of operations could be adversely affected. For the six months ended June 30, 2009 and for the year ended December 31, 2008, this customer accounted for 85% and 80% of the Company's consolidated revenues, respectively.

The Company obtains certain key components from two sources, which are located in Europe. The Company has strategic agreements with these suppliers, which treat CMT as a preferred customer.

Concentration of credit risks:

Financial instruments that potentially subject the Company to concentration of credit risks consist principally of cash, cash equivalents, short-term and long-term deposits and trade receivables.

Cash and cash equivalents and short-term and long-term deposits are invested in major banks in Israel and the United States. Such deposits in the United States may be in excess of insured limits and are not insured in other jurisdictions. Management believes that the financial institutions that hold the Company investments are financially sound and accordingly, minimal credit risk exists with respect to these investments.

The Company's maximum exposure to credit risks arising from default of the counter party is equal to the carrying amount of these instruments.

Currency exchange rate risk:

The bulk of the Company's expenses are denominated in NIS and most of the Company's revenues are denominated in US dollar. The strengthening of the NIS against the US dollar, as well as any other foreign currency in which the Company sells products, has the effect of increasing the U.S. dollar cost of the Company's



operations and therefore adversely affecting the Company's results of operations which are denominated in US dollars.

As currency exchange rate uncertainties continue, the Company, with the advice of currency experts, will continue to do its best to reduce the effects of currency exchange rate volatility. The Company's options to minimize currency exchange rate risks are limited. Although the Company uses hedging techniques to reduce the risk associated with fluctuations in currency exchange rates, the Company may not be able to eliminate the effects of currency fluctuations.

World Economy Risk:

The Company's results of operations are materially affected by conditions in the global capital markets and the economy generally, both in the U.S. and elsewhere around the world. The stress experienced by global capital markets substantially increased in recent quarters. The global economic instability and uncertainty, accompanied with the credit crisis and reduced demand for X-ray imaging system products, affect the willingness and ability of the manufacturers to make capital investments, and are causing a severe slow-down in the X-ray imaging system industry as a whole. These events have an adverse effect on the Company's revenues.

During cyclical downturns, as those the Company has experienced in the past, is currently experiencing and is likely to experience in the future, material reductions in the demand for the type of capital equipment and process technology that the Company offers, and the Company's sales and revenues might decline. In addition, the Company's ability to reduce expenses in response to any downturn or slowdown in the rate of capital investment by manufacturers in these industries may be limited.

The Company expects the world economic slowdown to adversely affect the Company's financial performance, among other things, as a result of changes in the consumption patterns of the Company's customers, a reduction in consumer spending, consumer preference for products which have a lower profit margin and increased competition in the Company's industry.

The future success of the Company's business will depend on the Company's ability to increase product sales, successfully introduce new products, expand its sales force and distribution network, and control costs, which the Company may be unable to



do. As a result, the Company may not be able to continue its revenue growth and profitability.

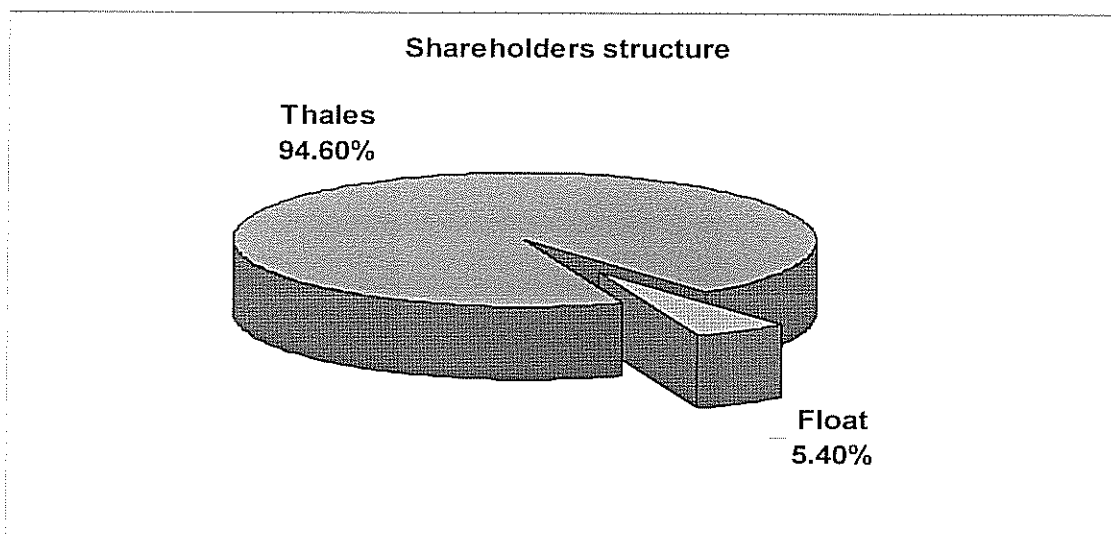
Buy back

As of June 30, 2009, the balance of the shares purchased by the Company represented about 4.7% of the Company's share capital. All of the Company's shares that are held by the company are dormant shares. As of December 2008, the Company ceased buying back its shares.

Shareholders

To our knowledge, the capital structure as of June 30, 2009 and as of the date of this report was as follows:

The total number of shares outstanding as of June 30, 2009 was 3,839,475, par value 1 NIS per share, of which 3,819,186 with voting rights.



C.M.T. MEDICAL TECHNOLOGIES LTD.

AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2009

U.S. DOLLARS IN THOUSANDS

UNAUDITED

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The Shareholders
C.M.T. Medical Technologies Ltd.

Re: Report on review on interim condensed consolidated financial
statements for the six months ended June 30, 2009

Introduction

We have reviewed the accompanying interim financial information of C.M.T. Medical Technologies Ltd. and its subsidiaries as of June 30, 2009, comprising of the interim condensed consolidated balance sheet as of June 30, 2009, and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six months period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statement, in accordance with IAS 34, "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statement based on our review.

We did not review the condensed interim financial information prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") of certain subsidiaries, whose assets constitute approximately 3% of total consolidated assets as of June 30, 2009, and whose revenues constitute approximately 2% of total consolidated revenues for the six months then ended. In addition, we did not review the condensed interim financial information of joint ventures, prepared in accordance with U.S. GAAP the investment in which, at equity, amounted to approximately \$ 264 thousand as of June 30 2009, and the Group's share in their losses amounted to approximately \$ 316 thousand for the six months then ended. The condensed interim financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, after the reconciliations of those interim financial statements from U.S. GAAP to International Financial Reporting Standards, which we have reviewed and our conclusion, insofar as it relates to the financial information in respect of those companies, is based on the review reports of the other auditors.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review and the review reports of other auditors referred to above, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Tel-Aviv, Israel
October 19, 2009

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

CONSOLIDATED BALANCE SHEETS

	December 31, 2008 Audited	June 30,		Convenience translation (Note 2b)
		2008 Unaudited	2009 Unaudited	June 30, 2009 Unaudited
	U.S. dollars			Euros
	(In thousands)			
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	6,727	3,120	3,770	2,669
Short-term deposits	2,871	10,629	8,486	6,008
Trade receivables	2,415	3,577	1,945	1,377
Derivative instrument	-	-	118	84
Other current assets	904	685	612	433
Inventories	2,377	1,701	1,519	1,077
<u>Total current assets</u>	<u>15,294</u>	<u>19,712</u>	<u>16,450</u>	<u>11,648</u>
NON-CURRENT ASSETS:				
Deferred taxes	1,158	752	1,134	803
Long-term investments	4,188	-	2,157	1,527
Interest in a joint ventures	670	702	264	187
Long-term receivables	243	275	73	52
Property and equipment, net	634	630	626	443
<u>Total non-current assets</u>	<u>6,893</u>	<u>2,359</u>	<u>4,254</u>	<u>3,012</u>
<u>Total assets</u>	<u>22,187</u>	<u>22,071</u>	<u>20,704</u>	<u>14,660</u>

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

CONSOLIDATED BALANCE SHEETS

	December 31,	June 30,		Convenience translation (Note 2b)
	2008	2008	2009	June 30, 2009
	Audited	Unaudited		Unaudited
	U.S. dollars			Euros
	(In thousands)			
LIABILITIES AND EQUITY				
CURRENT LIABILITIES:				
Trade payables	3,277	2,510	1,419	1,005
Provision for warranty	48	47	68	48
Income tax payables	344	123	324	229
Other current liabilities	2,569	1,515	3,067	2,172
<u>Total current liabilities</u>	<u>6,238</u>	<u>4,195</u>	<u>4,878</u>	<u>3,454</u>
NON-CURRENT LIABILITIES:				
Government grants	2,184	2,036	2,459	1,741
Accrued severance pay, net	561	512	700	496
<u>Total non-current liabilities</u>	<u>2,745</u>	<u>2,548</u>	<u>3,159</u>	<u>2,237</u>
EQUITY:				
Share capital	1,080	1,080	1,103	781
Premium	7,351	7,351	8,474	5,999
Capital due to derivative instrument	-	-	131	93
Share-based payment reserve	2,338	2,447	2,476	1,753
Retained earnings	3,618	5,377	1,666	1,181
Treasury shares	(1,183)	(927)	(1,183)	(838)
<u>Total equity</u>	<u>13,204</u>	<u>15,328</u>	<u>12,667</u>	<u>8,969</u>
<u>Total liabilities and equity</u>	<u>22,187</u>	<u>22,071</u>	<u>20,704</u>	<u>14,660</u>

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

October 19, 2009

Date of approval of the
financial statements

Yossi Katzav
President and CEO

Nadine Tomaschoff
Chief Financial Officer

C.M.T. MEDICAL TECHNOLOGIES LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31, 2008 Audited	Six months ended June 30,		Convenience translation (Note 2b)
		2008	2009	Six months ended June 30, 2009
		Unaudited		Unaudited
		U.S. dollars		Euros
(In thousands, except per share data)				
Revenues from sale of products	19,822	9,277	9,859	6,981
Revenues from construction contracts	1,300	550	-	-
Total revenues	21,122	9,827	9,859	6,981
Cost of revenues from sale of products	12,867	5,410	5,260	3,724
Cost of revenues from construction contracts	550	225	-	-
Cost of revenues	13,417	5,635	5,260	3,724
Gross profit	7,705	4,192	4,599	3,257
Operating expenses:				
Development costs, net	5,910	3,009	2,709	1,917
Selling and marketing	2,198	1,133	1,101	780
General and administrative	2,968	1,343	2,564	1,815
Total operating costs and expenses	11,076	5,485	6,374	4,512
Other income (expenses), net	(24)	-	2	1
Loss from operations	(3,395)	(1,293)	(1,773)	(1,254)
Financial income	511	227	292	207
Financial expenses	(164)	(236)	(131)	(93)
Share in losses of a joint venture	(790)	(436)	(316)	(224)
Loss before taxes on income	(3,838)	(1,738)	(1,928)	(1,364)
Income taxes (benefit)	(281)	123	24	17
Loss from continuing operations	(3,557)	(1,861)	(1,952)	(1,381)
Profit (loss) from discontinued operation	(59)	4	-	-
Loss	(3,616)	(1,857)	(1,952)	(1,381)
Basic and diluted loss per share from continuing operations	(0.94)	(0.48)	(0.52)	(0.36)
Basic and diluted loss per share for the period	(0.95)	(0.48)	(0.52)	(0.36)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Number of shares	Share capital	Premium	Capital due to derivative instrument	Share-based payment reserve	Retained earnings	Treasury shares	Total equity
Balance as of January 1, 2008 (audited)	3,857,773	1,080	7,351	-	2,172	7,234	(693)	17,144
Purchase of treasury shares	(114,965)	-	-	-	-	-	(490)	(490)
Cost of share-based payments	-	-	-	-	166	-	-	166
Loss	-	-	-	-	-	(3,616)	-	(3,616)
Balance as of December 31, 2008 (audited)	3,742,808	1,080	7,351	-	2,338	3,618	(1,183)	13,204
Exercise of stock options	96,667	23	1,123	-	-	-	-	1,146
Cost of share-based payments	-	-	-	-	138	-	-	138
Capital fund due to derivate instrument	-	-	-	131	-	-	-	131
Loss	-	-	-	-	-	(1,952)	-	(1,952)
Balance as of June 30, 2009 (unaudited)	3,839,475	1,103	8,474	131	2,476	1,666	(1,183)	12,667
		Number of shares	Share capital	Premium	Share-based payment reserve	Retained earnings	Treasury shares	Total equity
Balance as of January 1, 2008 (audited)	3,857,773	1,080	7,351	2,172	7,234	(693)	17,144	
Purchase of treasury shares	(49,939)	-	-	-	-	(234)	(234)	
Cost of share-based payments	-	-	-	275	-	-	-	
Loss	-	-	-	-	(1,857)	-	-	
Balance as of June 30, 2008 (unaudited)	3,807,834	1,080	7,351	2,447	5,377	(927)	15,328	

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Convenience translation (Note 2b)							
	Six months ended June 30, 2009							
	Number of shares	Share capital	Premium	Capital due to derivative instrument	Share- based payment reserve	Retained earnings	Treasury shares	Total equity
Balance as of January 1, 2009 (audited)	3,742,808	765	5,205	-	1,655	2,562	(838)	9,349
Exercise of stock options	96,667	16	794	-	-	-	-	810
Cost of share-based payments	-	-	-	-	98	-	-	98
Capital fund due to derivate instrument	-	-	-	93	-	-	-	93
Loss	-	-	-	-	-	(1,381)	-	(1,382)
Balance as of June 30, 2009 (unaudited)	3,839,475	781	5,999	93	1,753	1,181	(838)	8,968

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2008 <u>Audited</u>	Six months ended June 30,		Convenience translation (Note 2b)
		2008	2009	Six months ended June 30, 2009
		<u>Unaudited</u>		<u>Unaudited</u>
		U.S. dollars		Euros
(In thousands)				
<u>Cash flows from operating activities:</u>				
Loss from continuing operations	(3,557)	(1,861)	(1,952)	(1,381)
Profit (loss) from discontinued operations	(59)	4	-	-
Loss	<u>(3,616)</u>	<u>(1,857)</u>	<u>(1,952)</u>	<u>(1,381)</u>
Adjustments for:				
Depreciation	211	90	114	81
Inventory write-off *)	11	-	-	-
Accrued severance pay, net	135	86	139	98
Profit from sale of property and equipment	-	-	(6)	(4)
Share of loss of a joint ventures	790	436	316	224
Exchange differences	(3)	(35)	5	4
Accrued interest on Government grants	77	34	47	33
Decrease in fair value of long-term investment	-	-	25	18
Deferred taxes, net	(281)	125	24	17
Decrease in long-term receivable offset from employees' payable	-	-	165	117
Cost of share-based payments	166	275	706	500
Decrease in derivative instrument	-	-	13	9
Operating cash flows before working capital changes	<u>1,106</u>	<u>(846)</u>	<u>(404)</u>	<u>(284)</u>
Decrease (increase) in trade receivables	963	(199)	470	333
Decrease in other current assets	339	559	292	207
Decrease (increase) in inventories	(562)	114	858	607
Decrease (increase) in balance with joint venture	(322)	-	90	64
Increase (decrease) in trade payables	863	96	(1,858)	(1,316)
Increase (decrease) in provision for warranty	(18)	(19)	20	14
Decrease in income tax payables	(32)	(253)	(20)	(14)
Increase (decrease) in other current liabilities	<u>1,013</u>	<u>(41)</u>	<u>498</u>	<u>352</u>
Changes in working capital	<u>2,244</u>	<u>257</u>	<u>350</u>	<u>247</u>
Net cash flows used in operating activities	<u>(266)</u>	<u>(589)</u>	<u>(54)</u>	<u>(37)</u>

*) Relates to the discontinued operations.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended	Six months ended		Convenience
	December 31,	June 30,		translation
	2008	2008	2009	(Note 2b)
	Audited	Unaudited		Six months
		U.S. dollars		ended
		(In thousands)		June 30,
				2009
				Unaudited
				Euros
<u>Cash flows from investing activities:</u>				
Proceeds from sale of property and equipment	-	-	17	12
Purchase of property and equipment	(173)	(49)	(117)	(83)
Proceeds from (purchase of) long-term investments	(3,244)	955	2,006	1,420
Purchase and realization of short-term deposits	8,807	1,049	(5,615)	(3,976)
Net cash flows provided by (used in) investing activities	5,390	1,955	(3,709)	(2,627)
<u>Cash flows from financing activities:</u>				
Proceeds from Government grants	375	270	228	161
Proceeds from exercise of stock options	-	-	578	409
Purchase of treasury shares	(490)	(234)	-	-
Net cash flows provided by (used in) financing activities	(115)	36	806	570
Increase (decrease) in cash and cash equivalents	5,009	1,402	(2,957)	(2,094)
Cash and cash equivalents at beginning of period	1,718	1,718	6,727	4,763
Cash and cash equivalents at end of period	6,727	3,120	3,770	2,669
<u>(a) Significant non-cash transactions:</u>				
Derivative instrument against capital fund	-	-	131	93
<u>(b) Supplemental disclosure of cash flows activities:</u>				
Cash paid during the period for:				
Taxes (operating activities)	109	294	10	7
Cash received during the period for:				
Interest (operating activities)	621	504	131	93
Taxes (operating activities)	230	-	69	49

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL

- a. C.M.T. Medical Technologies Ltd. ("C.M.T." or "the Company"), an Israeli corporation, is an industrial company. C.M.T. develops, manufactures and markets digital image processing systems for X-ray equipment.
- b. These interim financial statements have been prepared in a condensed format as of June 30, 2009, and for the six months then ended and are to be read in conjunction with the Company's annual financial statements and accompanying notes as of December 31, 2008.
- c. On December 16, 2008, Thales, a publicly traded company in France, and the Board of Directors of the Company entered into a letter agreement whereby Thales agreed to file a cash tender offer for all the shares of the Company at a price per share of € 5.65. On December 17, 2008, Thales filed the offer pursuant to section III of book II and specifically articles 232-1 et seq. of the AMF General Regulations. On March 24, 2009, Thales announced it purchased 94.6% of the Company's shares.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The financial information have been prepared in accordance with IAS 34, "Interim Financial Reporting".

- a. *IAS 1 (Revised) - Presentation of Financial Statements:*

IAS 1 (Revised) introduces an additional statement, "statement of comprehensive income". The statement may be presented as a separate statement which includes net income and all items carried in the reported period directly to equity that do not result from transactions with the shareholders in their capacity as shareholders (other comprehensive income) such as adjustments arising from translating the financial statements of foreign operations, fair value adjustments of available-for-sale financial assets, changes in revaluation reserve of fixed assets and etc. and the tax effect of these items carried directly to equity, with allocation between the Company and the minority interests. Alternatively, the items of other comprehensive income may be displayed along with the items of the statement of income in a single statement entitled "statement of comprehensive income" which replaces the statement of income, while properly allocated between the Company and the minority interests. Items carried to equity resulting from transactions with the shareholders in their capacity as shareholders (such as capital issues, dividend distribution etc.) will be disclosed in the statement of changes in equity as will the summary line carried forward from the statement of comprehensive income, with allocation between the Company and the minority interests.

IAS 1 (Revised) also requires entities to present a balance sheet as of the beginning of the comparative period when the entity has applied an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in the annual financial statements.

The revision was adopted on January 1, 2009, with a retrospective restatement of comparative figures.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

IAS 20 - Government Grants:

Pursuant to an amendment to IAS 20, interest-free loans or loans with a below-market rate of interest received by a company from the State will be accounted for upon initial recognition and in subsequent periods pursuant to the provisions of IAS 39, "Financial Instruments: Recognition and Measurement". Accordingly, the loan will be initially measured at fair value and discounted at market interest. The difference between the loan amount received and the fair value will be accounted for thereafter as a Government grant according to the provisions of the Standard.

The amendment was adopted as a prospective change on January 1, 2009 with respect of the Chief Scientist's grants received after that date. The effect on the financial statements is not material.

b. Convenience translation into Euro:

The financial statements as of June 30, 2009, and for the six months then ended have been translated into Euro using the exchange rate as of June 30, 2009 - € 1 = U.S.\$ 1.412. The translation was made solely for the convenience of the reader. The Euro amounts presented in these financial statements should not be construed to represent amounts receivable or payable in Euros or convertible into Euros, unless otherwise indicated in these statements.

NOTE 3: - SIGNIFICANT EVENTS DURING THE REPORTED PERIOD

- a. In connection to Note 20b(3)(2) to the financial statements of December 31, 2008, due to the change of control in March 2009, the former president and CEO, who left the Company in March 2009, exercised his right, according to his employment agreement, and the unvested options granted to him were sold to the Company at tender offer price with total consideration of \$ 340,000 that was paid to him.
- b. On November 24, 2008, the board of directors and the audit committee of the Company have approved in principle a grant of options under the 2003 plan to its directors, to purchase 95,000 ordinary shares. The grant and its terms were subject to the approval of the shareholders of the Company. The options shall vest over three years and shall be accelerated in the event of a change of control of the Company or a M&A transaction. On February 25, 2009, the options were granted to the directors. The fair value of the options granted were \$ 568. All options were exercised in March 2009. The following table lists the inputs to the option valuation model used:

Expected volatility (%)	92.8
Risk-free interest rate (%)	1.0
Expected average life of option (years)	7.0
Weighed average share price (euro)	55.6
Model used	B&S

- c. The company entered into a forward exchange contract with the parent company, Thales SA, in the amount of \$ 2 million against the NIS which will expire on September 30, 2009. The value of the contract was recorded as a financial asset in the balance sheet.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**NOTE 4:- EVENTS AFTER THE BALANCE SHEET DATE**

- a. Changes in the tax rates applicable to the Group:

In July 2009, the Israeli Parliament (the Knesset) passed the Economic Efficiency Law (Amended Legislation for Implementing the Economic Plan for 2009 and 2010), 2009, which prescribed, among other things, an additional gradual reduction in Israeli corporate tax rate and real capital gains tax rate stating from 2011 to the following tax rates: 2011 - 24%, 2012 - 23%, 2013 - 22%, 2014 - 21%, 2015 - 20%, 2016 and thereafter - 18%.

The above changes in the tax rate do not have material effect on the financial statements.

- b. In continuance to Note 18(b) to the financial statements of December 31, 2008, a mediation agreement was entered between the parties according to which, each of the parties will propose an amount they are willing to pay to the other side. The mediator will accept one of the offers and it will be considered final decision by both sides.

On August 10, 2009, the court rendered a ruling according to which it accepted the Company's proposal. The ruling determines that the former CEO & former CFO will be paid (together) approximately \$ 715 thousand (NIS 2,800,000) plus linkage differentials and interest from March 2002. The payments mainly cover amounts in respect to severance pay, vacation pay and notice payments.

It is reminded that during July 2002 the former CEO and former CFO filed claims against the Company and certain directors amounting to \$ 4,230 thousand.

According to the mentioned above a total amount of approximately \$1.1 million was recorded as provision in other current liabilities.

- c. As of June 30, 2009, the Company has been distributing its products in the United States through its wholly-owned U.S. subsidiary, CMT Inc. The Company has been exploring with its parent company, Thales SA, the possibility of taking certain cooperative measures with Thales for the benefit of the Company and its shareholders, including measures that are intended to reduce the cost of distributing the Company's products in the United States. As part of this initiative, effective July 1, 2009, CMT Inc. terminated its office space lease in New Jersey and moved its office to the premises of Thales Components Corporation, a U.S. subsidiary of Thales ("TCC"). The Company is expected to compensate TCC for the use of its premises and for related services provided by TCC in the United States.
- d. On October 19, 2009 the Board of Director of CMT approved a Distribution Agreement (the "Agreement") between the Company and Thales Electron Devices S.A. ("TED"), a Thales SA affiliate. The objective of the Agreement is to promote the distribution and sales of the Company's products using TED extensive marketing and selling network. The Agreement is non-exclusive and sets forth the obligations of both parties. The obligations, selling terms and conditions are in line with comparable distribution agreements existing in the Company. The Agreement is valid for 12 months and renewable for same additional periods.
