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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of
October 2017

RADA ELECTRONIC INDUSTRIES LIMITED
(Name of Registrant)

7 Giborei Israel Street, Netanya 4250407, Israel
(Address of Principal Executive Office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F [X] Form 40-F [ ]

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): [ ]

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): [ ]

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes [ ] No [X]

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- ____________

This Form 6-K and its exhibits are being incorporated by reference into the Registrant's Form F-3 Registration Statements File Nos. 333-212643, 333-216973, 333-220304 and Form S-8 Registration Statement File No. 333-212284.

RADA ELECTRONIC INDUSTRIES LTD.

EXPLANATORY NOTE

The following exhibits are attached:

99.1	Rada Electronic Industries Ltd. and Its Subsidiary Condensed Interim Consolidated Financial Statements as of June 30, 2017 (Unaudited)
99.2	Management's Discussion and Analysis of Results of Operations for the Six Months ended June 30, 2017

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Rada Electronic Industries Ltd.
(Registrant)

By: */s/ Dov Sella*
Dov Sella
Chief Executive Officer

Date: October 3, 2017

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
99.1	Rada Electronic Industries Ltd. and Its Subsidiary Condensed Interim Consolidated Financial Statements as of June 30, 2017 (Unaudited)
99.2	Management’s Discussion and Analysis of Results of Operations for the Six Months ended June 30, 2017

RADA ELECTRONIC INDUSTRIES LTD. AND ITS SUBSIDIARIES

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2017

U.S. DOLLARS IN THOUSANDS

UNAUDITED

INDEX

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CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands (except share and per share data)

	June 30, 2017 Unaudited	December 31, 2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 743	$ 1,205
Restricted deposits	586	317
Trade receivables, net	5,860	5,006
Costs and estimated earnings in excess of billings on uncompleted contracts (Note 4)	613	1,096
Other accounts receivable and prepaid expenses	575	349
Inventories (Note 5)	7,871	7,102
Current assets related to discontinued operations (Note 1b.)	2,374	2,254
Total current assets	18,622	17,329
NON CURRENT ASSETS:		
Long-term receivable and other deposits	737	742
Property, plant and equipment, net	3,159	2,650
Long-term assets related to discontinued operations	186	266
Total non-current assets	4,082	3,658
Total assets	$ 22,704	$ 20,987

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

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands (except share and per share data)

	June 30, 2017 Unaudited	December 31, 2016
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank credit	$ 522	$ 575
Trade payables	2,906	2,557
Other accounts payable and accrued expenses	2,489	1,987
Advances from customers, net	-	839
Current liabilities related to discontinued operations	286	265
Total current liabilities	6,203	6,223
LONG-TERM LIABILITIES:		
Convertible Note and Loans from shareholders, net (Note 7)	3,091	3,072
Accrued severance pay and other long term liability	747	663
Total long-term liabilities	3,838	3,735
SHAREHOLDERS EQUITY:		
Share capital (Note 9) -		
Ordinary shares of NIS 0.03 par value - Authorized: 37,500,000 shares at June 30, 2017 and December 31, 2016; Issued and outstanding: 22,172,699 at June 30, 2017 and 21,246,502 at December 31, 2016, respectively.	258	250
Additional paid-in capital	90,068	89,407
Accumulated other comprehensive income	280	222
Accumulated deficit	(78,480)	(79,363)
Total RADA Electronic Industries shareholders' equity	12,126	10,516
Non-controlling interest	537	513
Total shareholders' equity	12,663	11,029
Total liabilities and shareholders' equity	$ 22,704	$ 20,987

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

U.S. dollars in thousands (except share and per share data)

	Six months ended June 30, 2017	Six months ended June 30, 2016
	Unaudited	
Revenues:		
Products	$ 9,371	$ 4,479
Services	621	709
	9,992	5,188
Cost of revenues:		
Products	6,599	4,823
Services	60	157
	6,659	4,980
Gross profit	3,333	208
Operating expenses:		
Research and development	406	316
Marketing and selling	855	1,060
General and administrative	1,212	835
Total operating expenses	2,473	2,211
Operating Income (loss)	860	(2,003)
Extinguishment and amortization of shareholders' convertible loans discount and beneficial conversion feature	19	1,096
Other financial expenses, net	(10)	304
Total financial expenses, net (Note 10)	9	1,400
Net income (loss) from continuing operations	851	(3,403)
Net income (loss) from discontinued operations	40	(22)
Net income (loss)	$ 891	$ (3,425)
Net income (loss) attributable to RADA Electronic Industries' shareholders	$ 883	$ (3,421)
Net income (loss) attributable to non-controlling interest	8	$ (4)
Basic and diluted net income (loss) from continuing operations	$ 0.04	$ (0.24)
Basic and diluted net income (loss) from discontinued operations per Ordinary share	$ 0.00	$ (0.00)
Basic and diluted net income (loss)	$ 0.04	$ (0.24)
Weighted average number of Ordinary shares used for computing basic and diluted net income (loss) per share	21,780,651	14,496,127

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

U.S. dollars in thousands (except share and per share data)

	Six months ended June 30, 2017	Six months ended June 30, 2016
	Unaudited	
Net Income (loss)	$ 891	$ (3,425)
Other comprehensive loss, net:		
Change in foreign currency translation adjustment	74	(73)
Total comprehensive Income (loss)	965	(3,498)
Less: comprehensive income (loss) attributable to non-controlling interest	24	(19)
Comprehensive income (loss) attributable to RADA ElectronicIndustries' shareholders	$ 941	$ (3,479)

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

U.S. dollars in thousands (except share data)

	Number of Ordinary shares	Share capital	Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Non controlling interest	Total equity
Balance at January 1, 2016	7,949,444	$ 146	$ 82,427	$ 387	$ (74,453)	$ 552	$ 9,059
Beneficial conversion feature related to convertible loans from shareholders (Note 9)	-	-	123	-	-	-	123
Extinguishment of convertible loan	-	-	(359)	-	-	-	(359)
Share-based compensation to employees	-	-	111	-	-	-	111
Issuance of shares and warrants, net of issuance costs of $204	10,415,400	82	5,714	-	-	-	5,796
Exercise of warrants and conversion of convertible loan to Ordinary shares	2,881,658	22	1,391	-	-	-	1,413
Net income (loss)	-	-	-	-	(4,910)	3	(4,907)
Other comprehensive loss	-	-	-	(165)	-	(42)	(207)
Balance at December 31, 2016	21,246,502	$ 250	$ 89,407	$ 222	$ (79,363)	$ 513	$11,029
Share-based compensation to employees	-	-	249	-	-	-	249
Issuance of shares and warrants	926,197	8	412	-	-	-	420
Net income	-	-	-	-	883	8	891
Other comprehensive loss	-	-	-	58	-	16	74
Balance at June 30, 2017 (unaudited)	22,172,699	$ 258	$ 90,068	$ 280	$ (78,480)	$ 537	$12,663

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

U.S. dollars in thousands

	Six months ended June 30, 2017	Six months ended June 30, 2016
	Unaudited	
Cash flows from operating activities:		
Net income (loss)	$ 891	$ (3,425)
Adjustments required to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	297	260
Extinguishment and amortization expenses related to beneficial conversion feature of convertible loans	19	1,096
Severance pay, net	72	25
Share-based compensation to employees	249	5
Decrease (increase) in trade receivables, net	(854)	1,072
Increase in other accounts receivable and prepaid expenses	(222)	(292)
Decrease in costs and estimated earnings in excess of billings, net	511	23
Increase in inventories	(858)	(512)
Increase (decrease) in trade payables	291	(709)
Decrease in other accounts payable and accrued expenses	(325)	(54)
Net cash provided by (used in) operating activities from continuing operations	71	(2,511)
Cash flows from investing activities:		
Change in restricted cash, net	(269)	71
Purchase of property, plant and equipment	(659)	(253)
Increase (decrease) in long-term receivables and deposits	(27)	6
Net cash by used in investing activities from continuing operations	(955)	(176)
Cash flows from financing activities:		
Repayment of short-term bank credit, net	(53)	(1,094)
Repayments of shareholder convertible loan	-	(2,988)
Issuance of shares and warrants, net	420	3,832
Proceeds from shareholder convertible loan	-	3,175
Net cash provided by financing activities from continuing operations	367	2,925
Net cash provided by (used in) operating activities from discontinued operations	(231)	150
Net cash used in investing activities from discontinued operations	(2)	-
Effect of exchange rate changes of discontinued operation on cash and cash equivalents	(117)	(75)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

U.S. dollars in thousands

	Six months ended June 30,	
	2017	**2016**
	Unaudited	
Increase (decrease) in cash and cash equivalents	(867)	313
Cash and cash equivalents at the beginning of the period	2,364	1,754
Cash and cash equivalents at the end of the period	1,497	2,067
Less cash and cash equivalents of discontinued operation at the end of the period	754	1,072
Cash and cash equivalents of continued operation at the end of the period	$ 743	$ 995
(a) Supplemental disclosures of cash flow activities:		
Net cash paid during the period for income taxes	$ 8	$ 8
Net cash paid during the period for interest	$ 128	$ 273
(b) Non-cash transactions		
Purchase of property, plant and equipment in credit	$ 58	$ 30
Transfer of inventory to property, plant and equipment	$ 89	$ 13

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

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
U.S. dollars in thousands (except share data)

NOTE 1:- GENERAL

a. RADA Electronic Industries Ltd. (the "Company") is an Israeli based defense electronics contractor that specialize in the development, manufacture and sale of data recording and management systems (such as digital video and data recorders, ground debriefing stations, head-up display cameras), inertial navigation systems for air and land applications, avionics solutions (such as aircraft upgrades, avionics for unmanned aircraft vehicles ("UAVs"), store management systems and interface computers) and land radar for defense forces and border protection applications (active protective systems for armored fighting vehicles, hostile fire detection and perimeter surveillance). The Company also provides test and repair services using its CATS testers and test program sets for commercial aviation electronic systems mainly through its Chinese subsidiary.

The Company operates a test and repair shop using its Automated Test Equipment ("ATE") products in Beijing, China, through its 80% owned Chinese subsidiary, Beijing Huari Aircraft Components Maintenance and Services Co. Ltd. ("CACS" or the "subsidiary"). CACS was established with a Chinese third party, which owns the remaining 20% equity interest. (see Note 1b).

The Company is organized and operates as one operating segment.

b. Discontinued operations

During 2016, the Company committed to a plan to sell its test and repair services activity (provide through the Company's 80% owned subsidiary, CACS) in order to focus in its core business.

The results of the discontinued operations including prior periods' comparable results, assets and liabilities which have been retroactively included in discontinued operations as separate line items in the statements of operations and balance sheets are presented below:

	Six months ended June 30,	
	2017	2016
	Unaudited	
Revenues	737	393
Cost of sales	586	297
Operating expenses	94	115
Operating income (loss)	57	(19)
Finance income (expenses), net	4	(1)
Taxes on Income	21	2
Net income (loss)	40	(22)

U.S. dollars in thousands (except share data)

NOTE 1:- GENERAL (Cont.)

The major classes of assets and liabilities that were classified as discontinued operations were:

	June 30, 2017 Unaudited	December 31, 2016
Cash and cash equivalents	$ 754	$ 1,159
Trade receivables	749	244
Other accounts receivable and prepaid expenses	22	6
Inventories	849	845
Property, plant and equipment, Net	186	266
Total assets of discontinued operations	$ 2,560	$ 2,520
Trade payables	14	54
Accrued expenses and other liabilities	272	211
Total liabilities of discontinued operations	$ 286	$ 265

c. Revenues from major customers accounted for 74% and 80% of total revenues for the six month periods ended June 30, 2017 and 2016, respectively (see Note 11c).

d. Liquidity and Capital Resources:

On May 15, 2016, the Company's shareholders approved an investment transaction with a new investor (the "Investor") after which the Investor became a controlling shareholder of the Company. The Company issued 8,510,638 Ordinary shares in consideration for an aggregate amount of approximately $4,000, or a price per each share of $0.47 (the "Initial Investment"). The Company has also issued to the Investor, warrants to purchase: (i) 4,255,319 Ordinary shares at an exercise price per Ordinary share of $0.47 (resulting in an aggregate exercise price of $2,000) exercisable for a period of 24 months following the date of the Initial Investment and (ii) 3,636,363 Ordinary shares at an exercise price per Ordinary share of $0.55 (resulting in an aggregate exercise price of $2,000) exercisable for a period of 48 months following the date of the Initial Investment (collectively: the "Warrants").

In addition, as part of the investment transaction, the Investor agreed to grant the Company an option, exercisable in the discretion of either the Investor or the Company, to obtain a convertible loan from the Investor in the principal amount of up to $3,175, which may be used solely for the purpose of the repayment of the outstanding convertible loan and accrued interest to its former controlling shareholder due on August 31, 2016.

NOTE 1:- GENERAL (Cont.)

On June 16, 2016, the Company obtained the loan from the Investor and repaid the outstanding loan balance owed to its former controlling shareholder in the amount of $2,988, including accrued interest of $247.

During the term of the loan, the Investor will have the right, but not the obligation, at its sole discretion, to convert the then remaining convertible loan amount into Ordinary shares, par value NIS 0.03, at a price per share equal to the lower of: (i) $2.40, or (ii) a five percent (5%) discount to the FMV (the average of the closing prices of the Company's Ordinary shares over the five (5) consecutive trading days ending on the last trading day prior to the date of conversion), but in no event less than $0.47.

In August and November 2016, the Investor exercised warrants to purchase an aggregate of 2,659,575 Ordinary shares, at an exercise price of $0.47 per share, for an aggregate total consideration of $1,250.

On November 15, 2016, the Company completed a $2,000 registered direct offering of 1,904,762 Ordinary shares at a price per share of $1.05 to an Institutional investor.

During January and August 2017, the Investor exercised warrants to purchase 1,595,744 Ordinary shares at an exercise price per share of $0.47, for a total consideration of $750.

In August 2017, the Company announced that it has received and accepted purchase offers from several Israeli institutional investors to purchase 4,604,500 Ordinary shares for $2.15 per Ordinary share, or approximately $9.9 million in the aggregate.

In August 2017, the Investor converted the convertible loan (see also Note 7) into 1,322,917 Ordinary shares pursuant to a convertible loan agreement dated May 16, 2016. The conversion price was $2.40 per share.

In September 2017, the Investor exercised warrants to purchase 818,182 Ordinary shares at an exercise price per share of $0.55, for a total consideration of $450.

Since incorporation, the Company has incurred an accumulated deficit of $78,480. As of June 30, 2017, the Company's cash position (cash and cash equivalents) totaled approximately $2,083 (including cash and cash equivalents attributable to the discontinued operations). In addition, for the years ended December 31, 2016 and 2015, the Company had recurring losses and negative cash flow from operating activity. The Company's current operating plan includes various assumptions concerning the level and timing of cash receipts from existing and anticipated orders in 2017, current credit facilities available, the abovementioned Initial Investment and cash outflow from operating activity and capital expenditures. Management believes that these funds are sufficient for the Company and its subsidiaries to meet their obligations as they come due at least for a period of twelve months from the date of issuance of the condensed interim consolidated financial statements.

U.S. dollars in thousands (except share data)

NOTE 2:- UNAUDITED INTERIM FINANCIAL INFORMATION

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Article 10 of U.S. Securities and Exchange Commission Regulation S-X. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments except as otherwise discussed) considered necessary for a fair presentation have been included.

Operating results for the six month period ended June 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017.

NOTE 3:- SIGNIFICANT ACCOUNTING POLICIES

a. The significant accounting policies followed in the preparation of these unaudited interim condensed consolidated financial statements are identical to those applied in the preparation of the latest annual financial statements of the Company as of December 31, 2016, set forth in the Company's Annual Report on Form 20-F as filed with the U.S. Securities and Exchange Commission on March 27, 2017.

b. Accounting for share-based compensation:

The Company accounts for share-based payment in accordance with ASC 718, "Compensation - Stock Compensation", which requires the measurement and recognition of compensation expense based on estimated fair values for all share-based payment

awards made to employees on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service periods in the Company's statement of operations.

The fair value for the Company's stock options granted to employees and directors was estimated using a Black-Scholes option-pricing model with the following weighted-average assumptions:

	Six months ended June 30, 2017	Six months ended June 30, 2016
Dividend yield	0%	0%
Risk-free interest rate	1.42%	1.17%
Expected term (in years)	4.19	4.5
Volatility	80.39%	76.13%
Forfeiture rate	0%	10%

The dividend yield assumption is based on the Company's historical and expectation of future dividend payouts and may be subject to changes in the future.

NOTE 3:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The computation of expected volatility is based on realized historical share price volatility of the Company's share.

The risk-free interest rate assumption is the implied yield currently available on the U.S treasury yield zero-coupon issues with a remaining term equal to the expected life term of the Company's options.

The expected term of the options represents the period of time that the options are expected to be outstanding and is based on the simplified method, as allowed under Staff Accounting Bulletin No. 110, which is the mid point between the vesting date and the end of the contractual of the option.

c. Recently Issued Accounting Standards:

Recently Adopted Accounting Pronouncements:

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-09, "Compensation - Stock Compensation (Topic 718)" ("ASU 2016-09"). ASU 2016-09 permits entities to make an accounting policy election related to how forfeitures will impact the recognition of compensation cost for stock-based compensation: to estimate the total number of awards for which the requisite service period will not be rendered or to account for forfeitures as they occur. Upon adoption of ASU 2016-09, the Company elected to change its accounting policy to account for forfeitures as they occur. The guidance was applied on a modified, retrospective basis in the first quarter of fiscal 2017 and did not have a material impact on the Company's consolidated financial results.

Recent Accounting Pronouncements Not Yet Adopted:

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)", which amends the existing accounting standards for revenue recognition. The FASB has recently issued several amendments to the standard, including clarification on accounting for licenses of intellectual property and on identifying performance obligations. The Company plans to adopt the new standard effective January 1, 2018. The new standard permits two methods of adoption: retrospectively to each prior reporting period presented (the so-called "full retrospective method"), or retrospectively with the cumulative effect of initially applying the new standard recognized at the date of initial application (the so-called "modified retrospective method"). The Company currently anticipates adopting the new standard using the modified retrospective method. The Company is continuing to evaluate the impact that the standard will have on its consolidated financial statements and related disclosures.

In May 2017, the FASB issued ASU 2017-09, Compensation-Stock Compensation (Topic 718) Scope of Modification Accounting. ASU 2017-09 provides clarification on when modification accounting should be used for changes to the terms or conditions of a share-based payment award. This ASU does not change the accounting for modifications but clarifies that modification accounting guidance should only be applied if there is a change to the value, vesting conditions, or award classification and would not be required if the changes are considered non-substantive. The Company is currently assessing the impact that adopting this new accounting standard will have on its consolidated financial statements. The amendments in ASU 2017-09 are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted. The amendments should be applied prospectively to an award modified on or after the adoption date.

U.S. dollars in thousands (except share data)

NOTE 4:- CONTRACTS IN PROGRESS

Amounts included in the financial statements, which relate to costs and estimated earnings in excess of billings on uncompleted contracts are classified as assets. Billings in excess of costs and estimated earnings on uncompleted contracts are classified as liabilities. Summarized below are the components of the amounts:

Costs and estimated earnings in excess of billings on uncompleted contracts:

	June 30, 2017 Unaudited	December 31, 2016
Costs incurred on uncompleted contracts	$ 20,691	$ 21,616
Estimated earnings	7,434	9,067
	28,125	30,683
Less - billings and progress payments	26,832	28,879
Costs and estimated earnings in excess of billings on uncompleted contracts	1,293	1,804
Less: Long-term portion	680	708
Costs and estimated earnings in excess of billings on uncompleted contracts - Current portion	$ 613	$ 1,096

NOTE 5:- INVENTORIES

	June 30, 2017 Unaudited	December 31, 2016
Raw materials and components	$ 3,145	$ 2,873
Work in progress, net	3,939	3,032
Finished goods	787	1,197
	$ 7,871	$ 7,102

NOTE 6:- FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company measures its financial instruments at fair value. Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability.

A three-tier fair value hierarchy is established as a basis for considering such assumptions and for inputs used in the valuation methodologies in measuring fair value:

Level 1 - Valuations based on quoted prices in active markets for identical assets that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary from investment to investment and is affected by a wide variety of factors, including, for example, the type of investment, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment and the investments are categorized as Level 3.

The carrying amount of cash and cash equivalents, restricted deposits, trade receivables, other accounts receivable, bank credit and current maturities of long term loans, trade payables and other accounts payable approximate their fair value due to the short-term maturity of these instruments.

Foreign currency derivative contracts are classified within Level 2 as the valuation inputs are based on quoted prices and market observable data of similar instruments.

U.S. dollars in thousands (except share data)

NOTE 6:- FAIR VALUE OF FINANCIAL INSTRUMENTS (Cont.)

The following table presents the Company's assets measured at fair value on a recurring basis at June 30, 2017 and 2016:

	June 30, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Derivatives:				
Foreign currencies derivatives	$ -	$ 155	$ -	$ 155
Total	$ -	$ 155	$ -	$ 155

	June 30, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Derivatives:				
Foreign currencies derivatives	$ -	$ 3	$ -	$ 3
Total	$ -	$ 3	$ -	$ 3

NOTE 7:- BANK CREDIT AND LOANS

A. Loans and convertible note from shareholders:

	June 30, 2017	**December 31, 2016**
	Unaudited	
Convertible note from shareholders	$ 3,175	$ 3,175
Less: debt discount	(84)	(103)
	$ 3,091	$ 3,072

In May 2016, as part of the investment transaction (see Note 1d), the Investor agreed to grant the Company an option, exercisable in the discretion of either the Investor or the Company, to obtain a convertible loan from the Investor in the principal amount of up to $3,175, which may be used solely for the purpose of the repayment of the outstanding convertible loan and accrued interest to its former controlling shareholder due on August 31, 2016.

In June 2016, the Company obtained the loan from the Investor and repaid the outstanding loan balance due to its former controlling shareholder in the amount of $2,988 including accrued interest of $247.

The convertible loan bears interest of LIBOR+6%, which is payable on a quarterly basis.

NOTE 7:- BANK CREDIT AND LOANS (Cont.)

During the term of the loan, the Investor had the right, but not the obligation, at its sole discretion, to convert the then remaining convertible loan amount into Ordinary shares, par value NIS 0.015, at a price per share equal to the lower of: (i) $2.40, or (ii) a five percent (5%) discount to the FMV (the average of the closing prices of the Company's Ordinary shares over the 5 consecutive trading days ending on the last trading day prior to the date of conversion), but in no event less than $0.47.

The Company recorded a beneficial conversion feature related to the June 2016 convertible loan as debt discount in the amount of $123. The discount is amortized over the term of the convertible loan using the interest method.

In August 2017, the Investor converted the loan into 1,322,917 Ordinary shares pursuant to a convertible loan agreement dated May 16, 2016. The conversion price was $2.40 per share.

B. Bank Credit:

The Company may secure borrowing with one of its banks against specific accounts receivables of up to $2,250, out of which, $522 was utilized as of June 30, 2017. The annual average interest rate on the lines of credit is LIBOR + 3.5% at June 30, 2017. In addition, the Company has a line of credit for customers' guarantees of $945, which was fully utilized as of June 30, 2017. The guarantees are secured by a first priority floating charge on all of the Company's assets and, unpaid share capital and insurance rights (rights to proceeds on insured assets in the event of loss).

The agreements with the banks prohibit the Company from: (i) selling or otherwise transferring any assets except in the ordinary course of business, (ii) placing a lien on the Company's assets without the bank's consent, or (iii) declaring dividend to its shareholders.

NOTE 8:- COMMITMENTS AND CONTINGENT LIABILITIES

The Company's research and development efforts have been partially financed through royalty-bearing programs sponsored by the Israel Innovation Authority ("IIA"). In return for the IIA's participation, the Company is committed to pay royalties at a rate ranging from 3% to 5% of sales of the products whose research was supported by grants received from the IIA, up to 100% of the amount of such participation received linked to the U.S. dollar. The obligation to pay these royalties is contingent on actual sales of the products and in the absence of such sales, no payment is required. As of June 30, 2017, the Company received total grants from the IAA in the amount of $5,545 including LIBOR interest. The total amount of royalties charged to operations for the period ended June 30, 2017 and 2016 was approximately $155 and $50, respectively. As of June 30, 2017, the Company's contingent liability for royalties, net of royalties paid or accrued, totaled approximately $1,188.

U.S. dollars in thousands (except share data)

NOTE 8:- COMMITMENTS AND CONTINGENT LIABILITIES(Cont.)

b. The Company's offices in Netanya, Israel, are leased under a non-cancelable operating lease expiring on February 28, 2022. In addition, the Company's motor vehicles are leased under operating leases.

Annual minimum future rental commitments under these leases, at exchange rates in effect on June 30, 2016, are approximately as follows:

2017	$	346
2018		633
2019		561
2020		436
2021		354
2022		59
	$	2,389

Lease expense for the six months periods ended June 30, 2017 and 2016, were $430 and $330, respectively.

c. Floating charges have been recorded on all of the Company's assets and specific charges have been recorded on certain assets in respect of the Company's liabilities to its banks and other creditors, including its shareholders.

d. The Company provides bank guarantees to its customers and others in the ordinary course of business. The guarantees which are provided to customers are to secure advances received at the commencement of a project or to secure performance of operational milestones. The total amount of bank guarantees provided to customers and others as of June 30, 2017, is approximately $945.

NOTE 9:- SHAREHOLDERS' EQUITY

a. Share capital:

Ordinary shares confer upon their holders voting rights, the right to receive cash dividends and the right to share in excess assets upon liquidation of the Company.

In May 2016, the Company's shareholders had approved an increase of the Company's authorized share capital by NIS 675,000 and as a result the authorized share capital will equal NIS 1,125,000 divided into 37,500,000 Ordinary shares, par value NIS 0.03 each (adjusted to reflect the shares reverse share split effected in September 2016).

In May 2016, the Company's shareholders approved an investment transaction with the Investor according to which the Investor became a controlling shareholder of the Company and the Company issued 8,510,638 Ordinary shares and Warrants (see Note 1d), in consideration for the aggregate amount of approximately $4,000. Offering costs amounted to $169.

NOTE 9:- SHAREHOLDERS' EQUITY (Cont.)

In August 2016, a shareholder of the Company converted the outstanding loan balance in the amount of $102 and accrued interest of $11 into 115,700 Ordinary shares.

In August 2016, the Company held an Extraordinary General Meeting of Shareholders at which it was approved to consolidate the registered (authorized) share capital of the Company as follows: every two (2) Ordinary shares with a nominal (par) value of NIS 0.015 each will be consolidated into one (1) Ordinary share with a nominal (par) value of NIS 0.03 each. All Ordinary shares, options, warrants, convertible loan, conversion options and per share amounts have been adjusted to give retroactive effect to this reverse split for all periods presented.

In August 2017 the Company announced that it has received and accepted purchase offers from several Israeli institutional investors to purchase 4,604,500 ordinary shares for $2.15 per ordinary share, or approximately $9.9 million in the aggregate.

b. Stock option plans:

In April 2015, the Company's Board of Directors adopted the "2015 Share Option Plan" (the "Plan"), which authorized the grant of options to purchase up to an aggregate of 1,500,000 Ordinary shares to officers, directors, consultants and key employees of the Company and its subsidiary. Options granted under the Plan expire within a maximum of ten years from adoption of the plan.

In June 2016, the Company granted options to certain employees and officers of the Company, to purchase a total 984,375 Ordinary shares at an exercise price of $0.9 per share. The options will vest as follows: 25% of the options granted to each employee will vest in June 2017; additional 75% shall vest in three equal annual installments of 25% each until June 2020. These options shall be exercisable for 48 months following the date of the vesting. As part of the grant, the Company's former CEO was granted options to purchase 168,750 Ordinary shares at an exercise price of $0.90 per Ordinary share. The former CEO resigned in November2016.

In November 2016, the Company's Audit Committee (in its capacity as Compensation Committee) and Board of Directors determined, subject to shareholders approval, to extend until January 2017, the exercise date of the former CEO options by accelerating the vesting of 126,563 Options as of December 31, 2016. Pursuant to the terms of the plan, the former CEO is eligible to exercise such number of the options (or any part thereof) within 90 days of the date of his resignation.

In November 2016, the Company's Audit Committee (in its capacity as Compensation Committee) and Board of Directors determined, subject to shareholders approval to grant its new appointed CEO additional options as follows (i) options to purchase 68,750

NOTE 9:- SHAREHOLDERS' EQUITY (Cont.)

Ordinary shares at an exercise price of $1.16 per Ordinary share that will vest ratably over a period of four (4) years and (ii) options to purchase 150,000 Ordinary shares at an exercise price of $1.16 per Ordinary share that will vest immediately in lieu of 99 vacation days that were accrued and redeemable for his benefit. These options shall be exercisable for 48 months.

On January 15, 2017, the Company's Shareholders approved the CEO grant and former CEO acceleration.

In December 2016, the Company granted options to purchase 40,000 Ordinary shares at an exercise price of $1.17 per Ordinary share, that will vest immediately in lieu of 36 vacation days that were accrued and redeemable for an employee benefit. These options are exercisable for 48 months.

In February 2017, the Company granted options to a consultant of the Company, to purchase a total 37,500 Ordinary shares at an exercise price of $1.26 per share. The options will vest as follows: 25% of the options granted will vest in February 2018; 75% of the options will vest in three equal annual installments of 25% each until June 2021. These options will be exercisable for 48 months following the date of the vesting.

In May 2017, the Company granted options to certain employees and officers of the Company, to purchase a total 100,000 Ordinary shares at an exercise price of $1.14 per share. The options will vest as follows: 25% of the options granted will vest in February 2018; 75% of the options will vest in three equal annual installments of 25% each until June 2021. These options will be exercisable for 48 months following the date of the vesting.

U.S. dollars in thousands (except share data)

NOTE 9:- SHAREHOLDERS' EQUITY (Cont.)

A summary of the Company's activity for options granted to employees and directors under its 2017 incentive option plan is as follows:

	Six months ended June 30, 2017		
	Unaudited		
	Number of options	Weighted average exercise price	Aggregate Intrinsic Value Price
Outstanding at the beginning of the period	986,875	$ 0.91	$ 246
Granted	356,250	1.16	
Exercised	(126,563)	0.9	
Forfeited	(98,438)	0.9	
Outstanding at the end of the period	1,118,125	$ 0.98	$ 913
Exercisable	439,219	1.03	581
Vested and expected to vest	1,118,125	$ 0.98	$ 913

Intrinsic value of exercisable options (the difference between the Company's closing share price on the last trading day in the period and the exercise price, multiplied by the number of in-the-money options) represents the amount that would have been received by the employees and directors option holders had all option holders exercised their options on June 30, 2017. This amount changes based on the fair market value of the Company's Ordinary shares.

During the six month periods ended June 30, 2017, the Company recognized stock-based compensation expense related to employees and directors stock options in the amount of $249, as follows:

	Six months ended June 30, 2017	Six months ended June 30, 2016
	Unaudited	Unaudited
Cost of revenues	40	3
Marketing and selling	2	1
General and administrative	207	1
	249	5

Unamortized compensation expenses related to employees and directors stock options to be recognized over an average time of approximately 3.5 years is approximately $561.

U.S. dollars in thousands (except share data)

NOTE 9:- SHAREHOLDERS' EQUITY (Cont.)

c. Warrants:

On May 18, 2016, the Company issued to the Investor (see Note 1d), warrants to purchase: (i) 4,255,319 additional Ordinary shares at an exercise price per Ordinary share of $0.47 (resulting in an aggregate exercise price of $2,000), exercisable for a period of 24 months following the date of the Initial Investment and (ii) 3,636,363 Ordinary shares at an exercise price per Ordinary share of $0.55 (resulting in an aggregate exercise price of $2,000), exercisable for a period of 48 months following the date of the Initial Investment.

On May 18, 2016, as part of the investment transaction, the Company issued to a consultant, 510,638 warrants to purchase Ordinary shares at an exercise price per Ordinary share of $0.47, exercisable for a period of 18 months following the date of the Initial Investment.

In August 2016, the Investor exercised warrants to purchase 531,915 Ordinary shares at an exercise price per share of $0.47 in a consideration of $250 paid to the Company and in November 2016 the Investor exercised warrants to purchase an additional 2,127,660 Ordinary shares at an exercise price per share of $0.47 in consideration of $ 1,000 paid to the Company.

In September 2016, the consultant exercised warrants to purchase 106,383 Ordinary shares at an exercise price per share of $0.47, in consideration of $50.

In January 2017, the Investor exercised warrants to purchase an additional 531,915 Ordinary shares at an exercise price per share of $0.47 in consideration of $250.

In April 2017, the consultant exercised warrants to purchase 361,702 Ordinary shares at an exercise price per share of $0.47, in consideration of $170.

The Company's outstanding warrants as of June 30, 2017, are as follow:

Issuance date	Outstanding and exercisable	Exercise price	Exercisable through
May 18, 2016	1,063,829	0.47	May 18, 2018
May 18, 2016	3,636,364	0.55	May 18, 2020
May 18, 2016	42,553	0.47	November 18, 2017

During August and September 2017, subsequent to the balance sheet date, the Investor exercised warrants to purchase an additional 1,063,829 Ordinary shares at an exercise price per share of $0.47 in consideration of $500, and additional 818,182 Ordinary shares at an exercise price per share of $0.55 in consideration of $450.

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
U.S. dollars in thousands (except share data)

NOTE 10:- FINANCIAL EXPENSES, NET

	Six months ended June 30,	
	2017	**2016**
	Unaudited	
Income:		
Foreign currency exchange differences	$ 184	$ 19
Interest on cash equivalents and restricted deposits	9	6
	(193)	(25)
Expenses:		
Extinguishment and amortization of shareholders' convertible loans discount and beneficial conversion feature	19	1,096
Interest on shareholders' convertible loans	125	151
Withholding taxes on interest of convertible loans from shareholders	-	45
Bank commissions and others	40	68
Foreign currency exchange differences	6	42
Interest on loans from banks and other credit balances	12	23
	202	1,425
Total financial expenses, net	9	1,400

NOTE 11:- MAJOR CUSTOMERS AND GEOGRAPHIC INFORMATION

a. In accordance with Statement of ASC 280, "Segment Reporting", the Company is organized and operates as one business segment, which develops, manufactures and sells ATE products, avionics equipment and aviation data acquisition and debriefing systems (see also Note 1a).

U.S. dollars in thousands (except share data)

NOTE 11:- MAJOR CUSTOMERS AND GEOGRAPHIC INFORMATION (Cont.)

b. Revenues by geographic areas:

Revenues are attributed to geographic area based on the location of the end customers as follows:

	Six months ended June 30,	
	2017	2016
	Unaudited	
Israel	$ 2,714	$ 2,904
Asia	3,929	671
North America	3,085	630
Latin America	264	860
Europe	-	123
Total	$ 9,992	$ 5,188

c. Major customers:

Revenues from single customers that exceed 10% of the total revenues in the reported years as a percentage of total revenues are as follows:

	Six months ended June 30,	
	2017	2016
	Unaudited	
	%	
Customer A	6	20
Customer B	3	16
Customer C	10	9
Customer D	24	5
Customer E	12	11
Customer F	17	-
Customer G	2	19

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Exhibit 99.2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OPERATIONS

The discussion and analysis which follows contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 which reflect our current views with respect to future events and financial results. These include statements regarding our earnings, projected growth and forecasts, and similar matters which are not historical facts. We remind shareholders that forward-looking statements are merely predictions and therefore are inherently subject to uncertainties and other factors which could cause the actual future events or results to differ materially from those described in the forward-looking statements.

The interim condensed consolidated financial statements appearing elsewhere in this report should be read in conjunction with the consolidated condensed financial statements and notes thereto included in our Annual Report on Form 20-F for the year ended December 31, 2016. The results of operations for the six months ended June 30, 2017 are not necessarily indicative of the operating results for the full fiscal year

Overview

Our activity is primarily focused on the defense electronics market. We primarily provide integrated solutions. Our aim is to provide not only state-of-the-art products, but to also provide comprehensive end-to-end solutions for one or more systems. Our current product lines are:

- Military avionics (Data/video recorders, core avionics and inertial navigation systems for aircraft and UAVs); and
- Tactical Radars for defense forces and border protection systems (land based).

We were incorporated under the laws of the State of Israel on December 8, 1970. We are a public limited liability company under the Israeli Companies Law 1999-5759, or the Israeli Companies Law, and operate under this law and associated legislation.

Recent Financings

In August 2017, we completed the sale of 4,604,500 Ordinary shares at $2.15 per Ordinary share, or approximately $10 million in the aggregate to several Israeli institutional investors. On August 28, 2017, DBSI, our principal shareholder, converted a $3.175 million convertible loan granted to our company in June 2016, into Ordinary shares. The conversion was made at $2.40 per Ordinary share, in accordance with the loan terms. Following the capital investment of the Israeli institutional investors, the conversion of the loan into equity and exercise of warrants by DBSI, we increased our net cash position by $13.3 million while reducing our ongoing annual interest payments by approximately $250,000.

DBSI is currently the beneficial owner of 11,803,671 Ordinary shares, constituting 36.0% of the issued and outstanding Ordinary shares. Such number of Ordinary shares consists of the following:

- 8,985,489 outstanding Ordinary shares; and
- 2,818,182 Ordinary shares issuable to DBSI upon exercise of outstanding warrants.

General

Our interim condensed consolidated financial statements appearing in this report are prepared in dollars and in accordance with U.S. GAAP. Transactions and balances originally denominated in dollars are presented at their original amounts. Transactions and balances in other currencies are remeasured into dollars in accordance with the principles set forth in the Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC 830. The majority of our sales are made outside of Israel and a substantial part of them are in dollars. In addition, a substantial portion of our costs are incurred in dollars. Since the dollar is the primary currency of the economic environment in which we operate, the dollar is our functional and reporting currency and, accordingly, monetary accounts maintained in currencies other than the dollar are remeasured using the foreign exchange rate at the balance sheet date. Operational accounts and non-monetary balance sheet accounts are measured and recorded at the exchange rate in effect at the date of the transaction. All monetary balance sheet accounts have been remeasured using the exchange rates in effect at the balance sheet date. Statement of operations amounts have been remeasured using the average exchange rate for the period. The financial statements of our foreign subsidiary, whose functional currency is not the dollar, have been translated into dollars. All balance sheet amounts have been translated using the exchange rates in effect at balance sheet date. Statement of operation amounts have been translated using the average exchange rate prevailing during the year. Such translation adjustments are reported as a component of accumulated other comprehensive loss in shareholders' equity.

Discussion of Critical Accounting Policies and Estimations

Our critical accounting policies, including the assumptions and judgments underlying them, are disclosed in the notes to our consolidated financial statements. These policies have been consistently applied in all material respects. While the estimates and judgments associated with the application of these policies may be affected by different assumptions or conditions, we believe the estimates and judgments associated with the reported amounts are appropriate under the circumstances. We believe the following accounting policies are the most critical in fully understanding and evaluating our financial condition and results of our operations under U.S. GAAP.

Revenue Recognition. Our revenues are mainly derived from sales of defense electronics (solid-state recorders, computers, radars, etc.) and their supporting ground systems (automated testers, data debriefing stations). Product revenue is recognized when there is persuasive evidence of an arrangement, the fee is fixed or determinable, delivery of the product to the customer has occurred and the collection of the fee is probable. If the product requires specific customer acceptance, revenue is deferred until customer acceptance occurs or the acceptance provisions lapse, unless we can objectively and reliably demonstrate that the criteria specified in the acceptance provisions are satisfied.

Revenues from long-term fixed price contracts are recognized by the percentage-of-completion method in accordance with the "input method." We apply this method when the total of the costs and revenues of the contract can reasonably be estimated. The percentage of completion is determined based on the ratio of actual costs incurred to total costs estimated to be incurred over the duration of the contract. With regard to contracts for which a loss is anticipated, a provision is made for the entire amount of the estimated loss at the time such loss becomes evident. Estimated gross profit or loss from long-term contracts may change due to changes in estimates resulting from differences between actual performance and original forecasts. Such changes in estimated gross profit or loss are recorded in results of operations when they are reasonably determined by management, on a cumulative catch-up basis. Revenues under long-term fixed-price contracts that involve both development and production are recorded using the cost-to-cost method (development phase) and units-of-delivery method (production phase) as applicable to each phase of the contract, as the basis to measure progress toward completion.

We also generate revenues from repair services using our automated test equipment, mainly through CACS (now classified as a discontinued operation). Revenues from services are recognized when the service is performed.

Impairment of Long-Lived Assets. We are required to assess the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. We assess the impairment of our assets based on a number of factors, including any significant changes in the manner of our use of the respective assets or the strategy of our overall business and significant negative industry or economic trends. Upon determination that the carrying value of a long-lived asset may not be recoverable, based upon a comparison of expected undiscounted future cash flows to the carrying amount of the asset, an impairment charge is recorded in the amount of the carrying value of the asset exceeds its fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. As of December 31, 2016 and 2015, no impairment losses have been identified

Accounting for income taxes. On January 1, 2007, we adopted FASB ASC 740-10 "*Income Taxes,*" which contains a two-step approach to recognizing and measuring uncertain tax positions accounted for in accordance with ASC 740-10. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement ASC 740-10. We provided a valuation allowance in respect to the deferred tax assets resulting from operating loss carryforwards and other temporary differences. Our management currently believes that since our company has a history of losses, it is more likely than not that the deferred tax regarding the loss carryforwards and other temporary differences will not be realized in the foreseeable future.

Inventory valuation. The majority of our inventory consists of work in progress, raw materials and components. Inventories are valued at the lower of cost or market. Cost of finished goods is determined on the basis of direct manufacturing costs plus allocable indirect costs representing allocable operating overhead expenses and manufacturing costs. Raw material is valued using the "FIFO" method. We assess the valuation of our inventory on a quarterly basis and periodically write down the value for different finished goods and raw material items based on their potential utilization. If we consider specific inventory to be damaged, we write such inventory down to zero. Inventory write-offs are provided to cover risks arising from slow-moving items, discontinued products, and excess inventories. The process for evaluating these write-offs often requires us to make subjective judgments and estimates concerning the future utilization of the inventory items. Inventory write-offs were $144,000, $153,000 and $138,000 as of December 31, 2016, 2015 and 2014, respectively.

Allowance for doubtful accounts. Our trade receivables are derived from sales to customers all over the world. We perform ongoing credit evaluations of our customers. In certain circumstances, we may require letters of credit or prepayments. We maintain an allowance for doubtful accounts for estimated losses from the inability of our customers to make required payments that we have determined to be doubtful of collection. We determine the adequacy of this allowance by regularly reviewing our accounts receivable and evaluating individual customers' receivables, considering customers' financial condition, credit history and other current economic conditions. If a customer's financial condition were to deteriorate which might impact its ability to make payment, then additional allowances may be required. Provisions for doubtful accounts are recorded in general and administrative expenses. Our allowance for doubtful accounts was $14,000, $2,000, $16,000 as of December 31, 2016, 2015 and 2014, respectively.

We account for stock-based compensation in accordance with the provisions of ASC 718, "Compensation - Stock Compensation". Under the fair value recognition provisions of ASC 718, stock-based compensation cost is estimated at the grant date based on the fair value of the award and is recognized as expense ratably over the requisite service period of the award. We estimate the fair value of stock options granted using the Black-Scholes-Merton option-pricing model.

The fair value of an award is affected by our stock price on the date of grant and other assumptions, including the estimated volatility of our stock price over the term of the awards and the estimated period of time that we expect employees to hold their stock options. Share-based compensation expense recognized in our consolidated statements of operations was reduced for estimated forfeitures.

*Discontinued Operations***.** Under ASC 205, "Presentation of Financial Statements - Discontinued Operation" when a component of an entity, as defined in ASC 205, has been disposed of or is classified as held for sale, the results of its operations, including the gain or loss on its component are classified as discontinued operations and the assets and liabilities of such component are classified as assets and liabilities attributed to discontinued operations; that is, provided that the operations, assets and liabilities and cash flows of the component have been eliminated from the company's consolidated operations and the company will have no significant continuing involvement in the operations of the component. Subsequent to our determination to sell our interest in CACS, CACS' results are accounted as discontinued operation and appear in this annual report in a separate line item as "Discontinued Operations".

Explanation of Key Income Statement Items

Revenues. Our revenues are mainly derived from sales of defense electronics and their supporting ground systems.

Cost of Revenues. Cost of revenues consists primarily of salaries, raw materials, subcontractor expenses, related depreciation costs, inventories write-downs and overhead allocated to cost of revenues activities.

Marketing and Selling Expenses Marketing and selling expenses consist primarily of salaries for marketing and business development personnel, marketing activities, public relations, promotional materials, travel expenses, trade show exhibit expenses, and success fees to business development consultants.

General and Administrative Expenses. General and administrative expenses consist primarily of salaries and related expenses for executive, accounting, legal, administrative personnel, professional fees, provisions for doubtful accounts and other general corporate expenses.

Research and Development Expenses, net. Research and development expenses consist primarily of salaries for research and development personnel, use of subcontractors and other costs incurred in the process of developing product prototypes.

Financial Expenses, Net. Financial expenses consist of interest and bank expenses, interest on convertible note and loans, amortization expenses of discount on convertible note, deferred charges and currency remeasurement losses. Financial income consists of interest on cash and cash equivalent balances and currency remeasurement gains.

Results of Operations

Revenues. Our revenues for the six months ended June 2017, increased by $4.8 million, or 92.5%, to $10.0 million from $5.2 million for the six months period ended June 2016. The increase in revenues in the first half of 2016 was mainly attributable to increased sales of tactical radar.

Cost of Revenues. Cost of revenues increased by 33.7% to $6.7 million for the six months ended June 2017 from $5.0 million for the six months period ended June 2016. The increase in our cost of revenues is attributable to the increase in revenues.

Gross Profit. Our gross profit increased to $3.33 million in the six months ended June 2017 from $0.21 million in the six months period ended June 30, 2016. The increase in our gross profit and gross profit margin in 2017 was mainly attributable to the increase in revenues.

Our operating expenses totaled $2.4 million in the first six months of 2017 and $2.2 million in the first six months of 2016.

Financial Expenses, Net. We had net financial expenses of $9 thousand in first half of 2017 compared to $1.4 million in the first half of 2016. Our financial expenses in 2016 period includes a non-cash amortization expense of approximately $1.1 million. The non-cash amortization expense was associated with the debt discount resulting from the beneficial conversion feature applicable to a previously outstanding loan from our former principal shareholder.

Net Income. Our net income in first half of 2017 was $0.9 million compared with net loss of $3.4 million in the first six months of 2016.

Liquidity and Capital Resources

As of June 30, 2017, our cash position (cash and cash equivalents) totaled approximately $1.3 million compared with approximately $1.5 million in cash and cash equivalents as of June 30, 2016.

Net cash provided in operating activities for the first six months of 2017, was $0.07 million. This was primarily due to increase in trade receivables of $0.9 million and increase in inventories of $0.9 million. This was offset by decrease in other accounts receivables of $0.6 million and decrease in trade payables of $0.3 million. For the first six months of 2016, net cash used in operating activities was $2.5 million.

Net cash used by investing activities during the first half of 2017 was $0.95 million. This was primarily due to change in restricted cash of $0.27 million and purchase of property plant and equipment of $0.67 million. Net cash used by investing activities during the first half of 2016 was $0.18 million.

Net cash provided by financing activities during the first six months of 2017 was $0.37 million, mainly reflecting proceeds of $ 0.42 million received in this period from warrants exercise from DBSI compared to $2.92 million provided by financing activities during the first six months of 2016.

Following the capital investment of the Israeli institutional investors, the conversion of a $3.175 million convertible loan into equity and exercise of warrants by DBSI in August 2017, we increased our net cash position by $13.3 million while reducing our ongoing annual interest payments by approximately $250,000.

We anticipate that our cash on hand and cash flow from operations will be sufficient to meet our working capital and capital expenditure requirements for at least 12 months.

Corporate Tax Rate

Israeli companies were generally subject to corporate tax at a rate of 25% in 2016. In December 2016, the Israeli Parliament approved a measure whereby the corporate tax rate would be reduced in two stages from 25% to 23%, starting with a corporate income tax rate of 24% beginning in January 2017 which is to be reduced to 23% beginning in January 2018.

Impact of Currency Fluctuation and of Inflation

A significant portion of the cost of our Israeli operations, primarily personnel and facility-related, is incurred in NIS. Therefore, our NIS related costs, as expressed in dollars, are influenced by the exchange rate between the dollar and the NIS. In addition, if the rate of inflation in Israel will exceed the rate of devaluation of the NIS in relation to the dollar, or if the timing of such devaluations were to lag considerably behind inflation, our cost as expressed in dollars may increase. NIS linked balance sheet items, may also create foreign exchange gains or losses, depending upon the relative dollar values of the NIS at the beginning and end of the reporting period, affecting our net income and earnings per share. Although we may use hedging techniques, we may not be able to eliminate the effects of currency fluctuations. Therefore, exchange rate fluctuations could have a material adverse impact on our operating results and share price.