

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

Form 10-QSB

(Mark One)

- QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2006
- TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT
FOR THE TRANSITION PERIOD FROM _____ TO _____
COMMISSION FILE NUMBER _____

LAPIS TECHNOLOGIES, INC.

(Name of small business issuer in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

27-0016420

(I.R.S. Employer Identification No.)

19 W. 34th Street, Suite 1008, New York, NY 10001

(Address of principal executive offices)

Issuer's telephone Number: **(212) 937-3580**

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of May 8, 2006, the issuer had 6,483,000 outstanding shares of Common Stock.

Transitional Small Business Disclosure Format (check one): Yes No

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

LAPIS TECHNOLOGIES, INC. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEET
 (In Thousands, Except Share Amounts)

| ASSETS | March 31, 2006 |
|--|-------------------|
| Current Assets: | |
| Cash and cash equivalents | \$ 15 |
| Accounts receivable | 3,669 |
| Inventories | 2,326 |
| Prepaid expenses and other current assets | 662 |
| Total current assets | 6,672 |
| Property and equipment, net | 307 |
| Deferred income taxes | 16 |
| | <u>\$ 6,995</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | |
| Current Liabilities: | |
| Bank line of credit | \$ 1,641 |
| Short term bank loans | 945 |
| Current portion of term loans | 358 |
| Accounts payable and accrued expenses | 1,910 |
| Due to stockholder | 8 |
| Due to affiliates | 68 |
| Income taxes payable | - |
| Total current liabilities | 4,930 |
| Term loans, net of current portion | 672 |
| Severance payable | 57 |
| Total liabilities | 5,659 |
| Commitments and contingencies | |
| Minority interest | 383 |
| Stockholders' Equity: | |
| Preferred stock; \$.001 par value, 5,000,000 shares authorized, none issued | - |
| Common stock; \$.001 par value, 100,000,000 shares authorized, 5,483,000 shares issued and outstanding | 6 |
| Additional paid-in capital | 78 |
| Accumulated other comprehensive loss | (137) |
| Retained Earnings | 1,006 |
| Total stockholders' equity | 953 |
| | <u>\$ 6,995</u> |

The accompanying notes are an integral part of these financial statements.

LAPIS TECHNOLOGIES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(In Thousands, Except Earnings Per Share and Share Amounts)

| | Three Months Ended | |
|--|--------------------|------------------|
| | March 31, | |
| | 2006 | 2005 |
| Sales | \$ 1,994 | \$ 1,665 |
| Cost of sales | 1,394 | 1,207 |
| Gross profit | <u>600</u> | <u>458</u> |
| Operating expenses: | | |
| Research and development expenses | 70 | 34 |
| Selling expenses | 27 | 23 |
| General and administrative | 279 | 284 |
| Total operating expenses | <u>376</u> | <u>341</u> |
| Income from operations | <u>224</u> | <u>117</u> |
| Other income (expense): | | |
| Interest expense, net | (87) | (61) |
| Income before provision for income taxes and minority interest | 137 | 56 |
| Provision for income taxes | 56 | 56 |
| Minority interest | <u>18</u> | <u>(50)</u> |
| Net income | 63 | 50 |
| Other comprehensive (loss) income, net of taxes | | |
| Foreign translation (loss) gain | (16) | (11) |
| Comprehensive (loss) income | <u>\$ 47</u> | <u>\$ 39</u> |
| Basic net loss per share | <u>\$ 0.01</u> | <u>\$ 0.01</u> |
| Basic weighted average common shares outstanding | <u>6,483,000</u> | <u>5,483,000</u> |

The accompanying notes are an integral part of these financial statements.

LAPIS TECHNOLOGIES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

| | Three Months Ended | |
|---|--------------------|--------------|
| | March 31, | |
| | 2006 | 2005 |
| Cash flows from operating activities: | | |
| Net income | \$ 63 | \$ 50 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 21 | 30 |
| Minority interest | 15 | (61) |
| Gain on sale of property and equipment | - | - |
| Deferred income tax | - | (1) |
| Change in operating assets and liabilities: | | |
| Accounts receivable | 43 | 151 |
| Inventories | 109 | (18) |
| Prepaid expenses and other current assets | (286) | (184) |
| Accounts payable and accrued expenses | (309) | 2 |
| Income tax payable | - | 54 |
| Customer deposits | - | 54 |
| Net cash provided by (used in) operating activities | <u>(344)</u> | <u>77</u> |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (16) | - |
| Increase in due from stockholder | 2 | (13) |
| Net cash used in investing activities | <u>(14)</u> | <u>(13)</u> |
| Cash flows from financing activities: | | |
| Increase in bank line of credit, net | 344 | (233) |
| Proceeds from long term debt | 760 | 1,221 |
| Repayment of long-term debt | (794) | (1,123) |
| Net cash (used in) provided by financing activities | <u>311</u> | <u>(135)</u> |
| Effects of exchange rates on cash | <u>(16)</u> | <u>(10)</u> |
| Increase (decrease) in cash | (63) | (81) |
| Cash, beginning of period | <u>78</u> | <u>124</u> |
| Cash, end of period | <u>\$ 15</u> | <u>\$ 43</u> |
| | 0 | |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the period for: | | |
| Interest | <u>\$ 34</u> | <u>\$ 61</u> |
| Income taxes | <u>\$ 51</u> | <u>\$ 22</u> |

The accompanying notes are an integral part of these financial statements.

LAPIS TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands, Except Per Share Amounts)
MARCH 31, 2006

NOTE 1 - DESCRIPTION OF BUSINESS

Lapis Technologies, Inc. (the "Company") was incorporated in the State of Delaware on January 31, 2002. The Company was originally named Enertec Electronics, Inc. and on April 23, 2002 changed its name to Opal Technologies, Inc. which changed its name to Lapis Technologies, Inc. on October 3, 2002. The Company's operations are conducted through its wholly-owned Israeli Subsidiary, Enertec Electronics Ltd. ("Enertec") and its majority owned Israeli subsidiary Enertec Systems 2001 LTD ("Systems"). Enertec is engaged in the manufacturing, distribution and marketing of electronic components and products relating to power supplies, converters and related power conversion products, automatic test equipment, simulators and various military and airborne systems, within the State of Israel.

NOTE 2 - BASIS OF PRESENTATION AND CONSOLIDATION

The accompanying unaudited consolidated financial statements and related footnotes have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial statements and pursuant to the rules and regulations of the Securities and Exchange Commission for Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. For further information read the financial statements and footnotes thereto included in the Company's Annual Report to be filed in accordance with the rules and regulations of the Securities and Exchange Commission on Form 10-KSB for the year ended December 31, 2005. The results of operations for three months ended March 31, 2006 are not necessarily indicative of the operating results that may be expected for the year ending December 31, 2006.

The accompanying financial statements include the accounts of the Company and their ownership interest in its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Stock based compensation

The Company has adopted Statement of Financial Accounting Statement ("SFAS") No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure" ("SFAS 148"). SFAS 148 amends SFAS No. 123 "Accounting for Stock-Based Compensation" ("SFAS 123"), and provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. The Company has adopted the fair value method of accounting as discussed in SFAS 123 as of January 1, 2003. Accordingly, stock options, when issued, will be recorded in accordance with the terms of that document.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

LAPIS TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands, Except Per Share Amounts)
MARCH 31, 2006

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Recent Accounting Pronouncements

In December 2004, FASB issued Statement No. 123 (revised 2004), "Share-Based Payment" (SFAS 123 (revised 2004)), effective for public entities that file as small business issuers as of the beginning of the first interim or annual reporting period that begins after December 15, 2005. This Statement is a revision of FASB Statement No. 123, "Accounting for Stock-Based Compensation," and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," and its related implementation guidance. SFAS 123 (revised 2004) eliminates the alternative to use Opinion No. 25's intrinsic value method of accounting that was provided in Statement 123 as originally issued. Under Opinion 25, issuing stock options to employees generally resulted in recognition of no compensation cost. This Statement requires entities to recognize the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of those awards (with limited exceptions). Recognition of that compensation cost helps users of financial statements to better understand the economic transactions affecting an entity and to make better resource allocation decisions. The Company is required to adopt Statement 123 (revised 2004) as of January 1, 2006, and does not expect this statement to have a material effect on its results of operations.

In May 2005, FASB issued SFAS No. 154, "Accounting Changes and Error Corrections - a Replacement of APB Opinion No. 20 (Accounting Changes) and FASB No. 3 (Reporting Accounting Changes in Interim Financial Statements)," that changes requirements for the accounting for and reporting of a change in accounting principle. This Statement requires retrospective application to prior periods' financial statements of changes in accounting principle unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. When it is impracticable to determine the period-specific effects of an accounting change on one or more individual prior periods presented, this Statement requires that the new accounting principle be applied to the balances of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable and that a corresponding adjustment be made to the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) for that period rather than being reported in an income statement. When it is impracticable to determine the cumulative effect of applying a change in accounting principle to all prior periods, this Statement requires that the new accounting principle be applied as if it were adopted prospectively from the earliest date practicable.

Statement 154 is effective for accounting changes and error corrections made in fiscal years beginning after December 15, 2005 (calendar year 2006). Early adoption is permitted.

NOTE 4 - PROVISION FOR INCOME TAXES -

The income tax expense for the three months ended March 31, 2006 is based upon the income tax laws of Israel. Israeli tax law does not allow a parent company to offset its' income with losses from any of its' subsidiaries.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

This quarterly report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential" or "continue," the negative of such terms, or other comparable terminology. These statements are only predictions. Actual events or results may differ materially from those in the forward-looking statements as a result of various important factors. Although we believe that the expectations reflected in the forward-looking statements are reasonable, such should not be regarded as a representation by Lapis Technologies, Inc., or any other person, that such forward-looking statements will be achieved. The business and operations of Lapis Technologies, Inc. and its subsidiaries are subject to substantial risks, which increase the uncertainty inherent in the forward-looking statements contained in this report. Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements, including our plans, objectives, expectations and intentions and other factors discussed under "Risk Factors," included in our Registration Statement on Form 10-SB filed with the Securities and Exchange Commission on March 26, 2004.

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements and related notes included elsewhere in this Report.

OVERVIEW

We were formed in Delaware on January 31, 2002 under the name Enertec Electronics, Inc. and have filed two certificates of amendment changing our name to Opal Technologies, Inc. and then to Lapis Technologies, Inc. We conduct operations in Israel through our wholly owned subsidiary, Enertec Electronics Limited ("Enertec Electronics"), an Israeli corporation formed on December 31, 1991, and Enertec Systems 2001 LTD ("Enertec Systems"), an Israeli corporation formed on August 28, 2001, of which we have a 73% equity interest. Enertec Electronics is a manufacturer and distributor of electronic components and products relating to power supplies, converters and related power conversion products, automatic test equipment (ATE), simulators and various military and airborne systems. Enertec Electronics maintains two divisions, the Systems Division and the Electronics Division. The Systems Division designs, develops and manufactures test systems for electronics manufacturers in accordance with their specifications. The Electronics Division markets and distributes the test systems, power supplies and other electronic components manufactured by us, and by other manufacturers who engage us to distribute their products.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2006, our cash balance was \$15,000 as compared to \$43,000 at March 31, 2005. The decrease in cash balance was mainly due to the increase in the Company's revenues. Total current assets at March 31, 2006 were \$6,672,000 as compared to \$5,723,000 at March 31, 2005. The increase in current assets is mainly due to the increase in accounts receivables.

Our accounts receivable at March 31, 2006 was \$3,669,000 as compared to \$2,393,000 at March 31, 2005. This increase is attributable to the increase in the revenues and to the delivery of a large order in December 2005 in the amount of approximately \$1,250,000.

As of March 31, 2006 our working capital was \$1,742,000 as compared to \$1,214,000 at March 31, 2005. The increase in the working capital is mainly due to an increase in accounts receivables. Bank Leumi and Bank Hapoalim have extended us a combined total bank debt of \$3,616,000 as opposed to \$2,892,000 at March 31, 2005. This debt is made up of a number of different components: short-term debt, long-term debt and in the form of lines of credit, which we use from time to time to satisfy our temporary cash flow needs.

The current portion of our term loans at March 31, 2006 consisted of \$358,000 compared to \$151,000 at March 31, 2005. Our total short-term loans consisted of \$945,000 for the period ended March 31, 2006.

At March 31, 2006, our total bank debt was \$3,616,000 as opposed to \$2,892,000 at March 31, 2005. These funds were borrowed as follows: \$1,303,000 which includes the current portion of long term debt, as various short term bank loans due through 2007, \$672,000 of long-term debt due through March 2010 and \$1,641,000 borrowed using our bank lines of credit. As a result, we increased the amount borrowed for the three-months ended March 31, 2006 by \$724,000 from \$2,892,000. The increase in bank debt is mainly due to the increase in account receivables. -

There are no other lines of credit available to us to refinance our short-term bank loans. Additionally, we currently do not have any other sources of financing available to us for refinancing our short-term loans. As of March 31, 2006 we are current with all of our bank debt and compliant with all the terms of our bank debt.

FINANCING NEEDS

Although we currently do not have any material commitments for capital expenditures, we expect our capital requirements to increase over the next several years as we continue to develop and test our suite of products, increase marketing and administration infrastructure, and embark on developing in-house business capabilities and facilities. Our future liquidity and capital funding requirements will depend on numerous factors, including, but not limited to, the levels and costs of our research and development initiatives, the cost of hiring and training additional sales and marketing personnel to promote our products and the cost and timing of the expansion of our marketing efforts.

Based on our current business plan, we anticipate that our existing cash balances and cash generated from future sales will be sufficient to permit us to conduct our operations and to carry out our contemplated business plans for the next twelve months. Currently, the only external sources of liquidity are our banks, and we may seek additional financing from them or through securities offerings to expand our operations, using new capital to develop new products, enhance existing products or respond to competitive pressures. At the present time, we do not have definitive plans to seek additional financing.

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2006 COMPARED TO THE THREE MONTHS ENDED MARCH 31, 2005

For the three-month period ended March 31, 2006 we had total revenue of \$1,994,000 compared to revenue of \$1,665,000 for the three-month period ended March 31, 2005. The increase in revenue of \$329,000, or 19.8% is due to:

- Increased investment in marketing during the last two quarters of 2005;
- Several additional new products in the military division were introduced; and
- Our efforts to increase our sales to several new divisions at Rafael which we identified as the main client we would target in 2005.

As a result we were invited to bid on numerous projects which we won based on our competitive pricing and technology.

Gross profit totaled \$600,000 for the three months ended March 31, 2006 as compared to \$458,000 for the three months ended March 31, 2005, an increase of \$142,000 or 31%. Gross profit as a percentage of sales for the three months ended March 31, 2006 was 30.1% as compared to 27.5% for the three months ended March 31, 2005. The increase in gross profit is primarily a result of higher revenues. The increase in gross profit as a percentage of sales is a result of receivables of several follow-up orders which have higher profit margins than new products.

Total operating expenses are comprised of selling, general and administrative expenses and R&D. Historically R&D costs were included in the cost of sales. The 2005 first quarter financials have been re-classified accordingly to allow comparison. Operating expenses for the three-month periods ended March 31, 2006 and 2005 were \$376,000 and \$341,000, respectively, an increase of \$35,000 or 10.3%. The increase in operating expenses is primarily attributable to increased R&D expenses of \$36,000. The increase of our R&D expenditures is a result of our strategic decision to develop new technologies which we expect will allow us to diversify our product lines and the creation of long term strategic alliances with several big military programs.

Our net income for the three-month period ended March 31, 2006 was \$63,000 as compared to income of \$50,000 in the three-month period ended March 31, 2005. This increase in net income in the amount of \$13,000 or 26% is mainly due to the increase in the gross profit.

At March 31, 2006, we had two customers that accounted for approximately 61.8% of accounts receivable. For the three-month periods ended March 31, 2006 and 2005, approximately 59.2% and 41% of our sales were to two customers, respectively.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, revenues, results of operations, liquidity or capital expenditures.

CRITICAL ACCOUNTING POLICIES

Concentration of Credit Risk - Concentrations of credit risk with respect to trade receivables are limited to customers dispersed primarily across Israel. All trade receivables are concentrated in the manufacturing and distribution of electronic components segment of the economy; accordingly the Company is exposed to business and economic risk. Although the Company does not currently foresee a concentrated credit risk associated with these trade receivables, repayment is dependent upon the financial stability of this segment of the economy.

Revenue Recognition and Customer Deposits - Revenue is recorded as product is shipped, the price has been fixed or determined, collectibility is reasonably assured and all material specific performance obligations have been completed. The product sold by the Company is made to the specifications of each customer; sales returns and allowances are allowed on a case-by-case basis, are not material to the financial statements and are recorded as an adjustment to sales. Cash payments received in advance are recorded as customer deposits.

Revenue relating to service is recognized on the straight-line basis over the life of the agreement, generally one year. For the three-month periods ended March 31, 2006 and 2005 revenue relating to service contracts is less than one percent of net sales.

Research and Development Costs - Research and development costs are charged to general and administrative expense in the accompanying statement of income and consist of salaries. Research and development cost for the three months ended March 31, 2006 and 2005 were approximately \$70,000 and \$34,000, respectively.

Financial Instruments - The carrying amounts of financial instruments, including cash and cash equivalents, accounts receivable, bank line of credit, short term bank loans and accounts payable and accrued expenses approximate fair value at March 31, 2005 because of the relatively short maturity of the instruments. The fair value of due from stockholder is not practical to estimate without incurring excessive cost and is carried at cost at March 31, 2006. The carrying value of the long-term debt approximate fair value at March 31, 2006 based upon debt terms available for companies under similar terms.

Foreign Currency Translation - Lapis Technologies, Inc. has one wholly owned subsidiary, Enertec Electronics Limited, an Israeli corporation, and one majority owned subsidiary, Enertec Systems 2001 Ltd., an Israeli corporation. The assets and liabilities of the foreign subsidiaries are translated at current exchange rates and related revenues and expenses at average exchange rates in effect during the periods reported. Resulting translation adjustments, if material, are recorded as a separate component of accumulated other comprehensive income or loss.

ITEM 3. CONTROLS AND PROCEDURES.

As of the end of the period covered by this report, we conducted an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act). Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is: (1) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure; and (2) recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. There was no change to our internal controls or in other factors that could affect these controls during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS.

As of the date this report was filed, there was no material development in the legal proceedings reported in the Company's annual report on Form 10-KSB for the fiscal year ended December 31, 2005.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

ITEM 5. OTHER INFORMATION.

Not applicable.

ITEM 6. EXHIBITS.

Exhibit Number

Description

| | |
|------|---|
| 31.1 | Certification by Chief Executive Officer, required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act |
| 31.2 | Certification by Chief Financial Officer, required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act |
| 32.1 | Certification by Chief Executive Officer, required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code |
| 32.2 | Certification by Chief Financial Officer, required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code |

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LAPIS TECHNOLOGIES, INC.

Dated: May 15, 2006

By: /s/ Harry Mund
Harry Mund
Chief Executive Officer, President
and Chairman of the Board

Dated: May 15, 2006

By: /s/ Miron Markovitz
Miron Markovitz
Chief Financial Officer, Chief Accounting
Officer and Director

CERTIFICATION

I, Harry Mund, Chief Executive Officer of Lapis Technologies, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Lapis Technologies, Inc. for the quarter ended March 31, 2006;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer is made known to us by others, particularly during the period in which this report is being prepared;
 - (b) evaluated the effectiveness of the small business issuer's disclosure controls and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

May 15, 2006

/s/ Harry Mund
Harry Mund
Chief Executive Officer

CERTIFICATION

I, Miron Markovitz, Chief Financial Officer of Lapis Technologies, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Lapis Technologies, Inc. for the quarter ended March 31, 2006;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer is made known to us by others, particularly during the period in which this report is being prepared;
 - (b) evaluated the effectiveness of the small business issuer's disclosure controls and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

May 15, 2006

/s/ Miron Markovitz

Miron Markovitz
Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Lapis Technologies, Inc. (the "Company") on Form 10-QSB for the quarter ended March 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Harry Mund, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

May 15, 2006

/s/ Harry Mund
Harry Mund
Chief Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Lapis Technologies, Inc. (the "Company") on Form 10-QSB for the quarter ended March 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Miron Markovitz, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

May 15, 2006

/s/ Miron Markovitz
Miron Markovitz
Chief Financial Officer

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