



## Press Release

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**FOR IMMEDIATE RELEASE**

### ***MediVision Presents Management's Report for the Third Quarter of 2009***

Haifa, Israel, MediVision Medical Imaging Ltd. ("MediVision", "MV", EURO.NM: MEDV) released today (Thursday, November 26<sup>th</sup>, 2009) information concerning its operations and financial results for the period ended September 30<sup>th</sup>, 2009. MediVision consolidated revenues for the three month ended September 30<sup>th</sup>, 2009 aggregated to \$388,000 compared to revenues of \$3,559,000 for the comparable period of 2008, reflecting a decrease due to cessation of including OIS revenues in the profit and loss statement as of July 1<sup>st</sup>, 2009.

During the Third quarter, the Company completed implementation of downsizing plan that included among others layoff of employees and significant cut of expenses and overheads. As of September 30<sup>th</sup>, 2009 the company has no employees.

The company signed at Asset Purchase Agreement ("APA") on June 24<sup>th</sup>, 2009 with its US subsidiary Ophthalmic Imaging Systems ("OIS", OTCBB: OISI), and closed it on October 21<sup>st</sup>, 2009.

OIS has acquired MV's assets and activities relating to (i) digital electro-optical imaging devices technology, intellectual property and products, (ii) MV's branch in Belgium, (iii) all of MV's holdings in its German subsidiary CCS Pawlowski GmbH ("CCS"), constituting approximately 63% of the issued share capital of CCS, and (iv) its distribution agreements with various European distributors (all together, the "Purchased Assets"). OIS also assumed certain specific liabilities relating to the Purchased Assets.

In consideration for the Purchased Assets, OIS has released MV from its obligations under certain loans granted by OIS to MV in various dates since 2005, estimated at approximately \$4.2 million and to undertake MV's obligations in connection with a loan granted to MV by the Israeli United Mizrahi-Tefahot Bank, estimated at approximately \$1.5 million. This obligation has been undertaken by OIS during October 2009.

The valuation of the Purchased Assets for the purpose of the APA were determined, *inter alia*, upon a fairness opinion, prepared by an independent professional third party (the "Fairness Opinion"), taking into account the respective assets, liabilities, business plans, products and technologies, prospects and various other considerations.

To secure its obligations under the APA, MV deposited in escrow approximately 6 million shares of OIS, which MV owns (valuated at approximately \$4 million based on current share price of OIS).

The APA also provides that (i) MV shall not compete with the business of the Purchased Assets for 3 years, (ii) MV and OIS shall each bear certain liabilities and indemnification undertakings towards each other and that MV shall refrain from certain actions specified in the APA without OIS' consent.

Following consummation of the APA, MV shall remain with certain historical assets and rights and its main asset shall be its shareholdings in OIS.

Along with the APA, MV signed additional ancillary documents, including a Voting Agreement regarding OIS with certain principal shareholders of OIS and of MV, and an Escrow Agreement.

The APA was unanimously approved by MV's Board of Directors and Audit Committee, and was unanimously approved by MV's shareholders in a special shareholders meeting which was convened on September 22<sup>nd</sup>, 2009.

Closing of the APA was held on October 21<sup>st</sup>, 2009, after securing all approvals and consents which were legally required, except for approvals from the Israeli Office of the Chief Scientist and the Investment Center of the Israeli Ministry of Industry, Trade & Labor for the performance of the Asset Purchase

Agreement, which MV is to exert best efforts to obtain within 6 months from the Closing. At the time of signing this report the company has received the necessary approval from the Israeli Office of the Chief Scientist.

The main effect of the APA agreement on MediVision report is that all the sold assets including CCS shares and other assets are presented as short term assets.

## CONSOLIDATED STATEMENTS OF OPERATIONS (U.S. Dollars in thousands, except per-share data)

	US dollars (thousands except per share data)				
	Nine month period ended September 30,		Three month period ended September 30,		Year ended December 31,
	2009	2008	2009	2008	2008
	Unaudited		Unaudited		Audited
Sales	6,376	10,837	388	3,559	14,410
Cost of sales	3,447	5,083	284	1,613	6,630
Gross profit	<u>2,929</u>	<u>5,754</u>	<u>104</u>	<u>1,946</u>	<u>7,780</u>
<b>Operating expenses:</b>					
Research and development expenses	1,344	2,025	-	707	2,859
Selling and marketing expenses	2,251	3,550	257	1,155	4,832
General and administrative expenses	1,463	1,985	28	572	2,319
Other expenses (income), net	(420)	331 <sup>(*)</sup>	16	178 <sup>(*)</sup>	520 <sup>(*)</sup>
Total operating expenses	<u>4,638</u>	<u>7,891</u>	<u>301</u>	<u>2,612</u>	<u>10,530</u>
Operating loss	(1,709)	(2,137)	(197)	(666)	(2,750)
Financial income	68	213 <sup>(**)</sup>	(2)	53 <sup>(**)</sup>	261 <sup>(**)</sup>
Financial expenses	(487)	(630) <sup>(**)</sup>	(56)	(222) <sup>(**)</sup>	(792) <sup>(**)</sup>
Loss before taxes on income	(2,128)	(2,554)	(255)	(835)	(3,281)
Income tax expense	(3)	(38)	-	10	(1,341) <sup>(*)</sup>
	(2,131)	(2,592)	(255)	(825)	(4,622) <sup>(*)</sup>
Share in losses of affiliated company	(660)	-	32	-	-
	(2,791)	(2,592)	(223)	(825)	(4,622)
<b>Other comprehensive loss:</b>					
Loss for the period	(2,791)	(2,592) <sup>(*)</sup>	(223)	(825)	(4,622)
Exchange differences on translating foreign operations	75	(4) <sup>(*)</sup>	49	(101)	(103)
Total comprehensive loss for the period	<u>(2,716)</u>	<u>(2,596)<sup>(*)</sup></u>	<u>(174)</u>	<u>(926)</u>	<u>(4,725)<sup>(*)</sup></u>
Attributable to:					
Owners of the parent	(2,422)	(2,137) <sup>(*)</sup>	(186)	(729) <sup>(*)</sup>	(3,399)
Minority interest	(294)	(459) <sup>(*)</sup>	12	(197) <sup>(*)</sup>	(1,326)
	<u>(2,716)</u>	<u>(2,596)<sup>(*)</sup></u>	<u>(174)</u>	<u>(926)<sup>(*)</sup></u>	<u>(4,725)</u>
Basic loss per share (in Dollars)	<u>(0.48)</u>	<u>(0.30)<sup>(*)</sup></u>	<u>(0.29)</u>	<u>(0.07)<sup>(*)</sup></u>	<u>(0.4)</u>

(\*) Restated – see Note 2C in the financial report.

(\*\*) Reclassified.

## Management's Discussion and Analysis of the Financial Condition and Results of Operations of the Company

During the quarter the company has ceased to consolidate the results of OIS due to the reduction from 56% share holding in OIS to approx. 35%. The influence on the profit and loss statement is described herebelow:

**Sales** - The consolidated Sales for the three month ended September 30<sup>th</sup>, 2009 aggregated to \$388,000 compared to sales of \$3,559,000 for the comparable quarter of 2008. This is the result ceasing the consolidation of OIS results during the third quarter of 2009 comparing the third quarter of 2008 when OIS reports were aggregated.

**Gross Profit** - Gross profit for the quarter ended September 30<sup>th</sup>, 2009 was \$104,000 or 26.8% of sales revenues, as compared with \$1,946,000 which were 54.6% of sales revenues for the comparable quarter of 2008. Gross margins decreased due non-consolidation of OIS in the third quarter of 2009.

**Research and Development Expenses** - There were no expenses in the third quarter of 2009 compared to \$707,000 during the third quarter of 2008.

**Selling and Marketing Expenses** - Total Selling and Marketing expenses for the quarter ended September 30<sup>th</sup>, 2009 amounted \$257,000 which are 66% of total Sales revenues, as compared with \$1,155,000 which were 32.4% of total Sales revenues for the comparable quarter in 2008.

**General and Administrative Expenses** - General and Administrative expenses include mainly salaries, professional services, rental, maintenance and various provisions. Total General and Administrative expenses for the quarter ended September 30, 2009 were \$16,000 which are 4% of the total Sales, as compared to \$178,000, which were 5% of total Sales in the comparable quarter of 2008.

**Minority Interest** - Minority interest for the period ended September 30<sup>th</sup>, 2009 are attributed mainly to the part of CCS minority shareholders in the loss of CCS. The minority interest related to OIS is no longer relevant as OIS is no longer consolidated, as mentioned above. .

**Other Expenses Net** - These expenses reflect the loss from decreasing MediVision share in OIS.

### Balance Sheet Information

	US dollars (thousands)		
	September 30, 2009	2008	December 31, 2008
	Unaudited		Audited
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	74	3,934	2,785
Restricted cash	-	171	158
Accounts receivable:			
Trade, net	313	2,456	2,343
Other accounts receivable	151	713	428
Inventories	63	1,600	1,576
Assets and disposal group classified as held for sale	3,979	-	-
Total current assets	<u>4,580</u>	<u>8,874</u>	<u>7,290</u>
<b>Non-current assets</b>			
Property and equipment, net	29	548	600
Investment in affiliated company	4,238	-	-
Deferred tax assets	-	1,210	( <sup>3</sup> )
Goodwill and other intangible assets	-	7,823	8,080
<b>Total assets</b>	<u><u>8,847</u></u>	<u><u>18,455</u></u>	<u><u>15,970</u></u>

	US dollars (thousands)		
	September 30, 2009	2008	December 31, 2008
	Unaudited		Audited
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Short-term bank credit and other current liabilities	2,643	3,043	3,664
Trade payables	632	1,221	1,409
Other accounts payable	5,065	4,527	4,305
Liabilities included in disposal group held for sale	249	-	-
Total current liabilities	<u>8,589</u>	<u>8,791</u>	<u>9,378</u>
<b>Long-term liabilities</b>			
Long-term loans, net of current maturities	-	1,898	1,034
Long-term employee benefits	61	137	64
Total long-term liabilities	<u>61</u>	<u>2,035</u>	<u>1,098</u>
Total liabilities	<u>8,650</u>	<u>10,826</u>	<u>10,476</u>
<b>Equity</b>			
<b>Equity attributable to owners of the parent:</b>			
Ordinary shares	215	215	215
Additional paid-in capital	9,302	9,295	9,302
Capital reserve	(311)	(311)	(311)
Foreign currency translation differences	118	120	67
Accumulated deficit	<u>(9,299)</u>	<u>(5,617)<sup>(*)</sup></u>	<u>(6,826)<sup>(*)</sup></u>
	25	3,702 <sup>(*)</sup>	2,447 <sup>(*)</sup>
<b>Minority interest</b>	<u>172</u>	<u>3,927<sup>(*)</sup></u>	<u>3,047<sup>(*)</sup></u>
Total equity	<u>197</u>	<u>7,629<sup>(*)</sup></u>	<u>5,494<sup>(*)</sup></u>
<b>Total liabilities and equity</b>	<u>8,847</u>	<u>18,455</u>	<u>15,970</u>

**Long-term debt** - Long-term debt during the period ended September 30<sup>th</sup>, 2009 decreased due to repayments of loans and higher allocation to current maturities. Due to the completion of the APA agreement during the fourth quarter of 2009 all bank loans were repaid.

**Total equity** - During the quarter ended September 30<sup>th</sup>, 2009, total equity was decreased by \$190,000 reaching \$197,000.

## ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

The assets and liabilities that will be sold as a result of the APA agreement, have been classified as assets and liabilities held for sale. The carrying amounts of assets and liabilities in this disposal group are summarized as follows:

	US dollars (thousands)
	September 30, 2009
	Unaudited
<b>Current assets</b>	
Cash and cash equivalents	271
Accounts receivable	184
Inventories	93
<b>Non-current assets</b>	
Property, plant and equipment	165
Goodwill and other intangible assets	3,266
Assets classified as held for sale	<u>3,979</u>
<b>Current liabilities</b>	
Short-term bank credit and other current liabilities	23
Trade and other payables	141
<b>Non-current liabilities</b>	
Long-term loans	85
Liabilities classified as held for sale	<u>249</u>

***All of these assets were sold to OIS upon closing the APA agreement on October 21<sup>st</sup>, 2009.***

This Release contains certain forward-looking statements and information relating to the Company that are based on the beliefs of the Management of the Company as well as assumptions made by and information currently available to the Management of the Company. Such statements reflect the current views of the Company with respect to future events, the outcome of which is subject to certain risks including but not limited to as listed below and other factors, which may be outside of the Company's control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results of outcomes may vary materially from those described herein as projected, anticipated, believed, estimated, expected or intended. Such abovementioned risks include but are not limited to:

1. Uncertain market acceptance of Company products - The Company's future growth and profitability will depend, in large part, on the acceptance by the market of the Company's existing and proposed products. This acceptance will be substantially dependent on educating the market as to full capabilities, distinctive characteristics, perceived benefits and efficacy of the Company's existing and proposed products. In addition, the future success of the Company's products will depend on their acceptance by customers and on such customers' willingness and ability to purchase such products. There can be no assurance that the Company's products will receive the necessary market acceptance. Failure of the Company's existing and/or proposed products to gain market acceptance could have a material adverse effect on the Company's business, financial condition and results of operations.
2. New products - The Company, through its Research and Development teams, engages in the development of new technologies and products and in the upgrading and improvement of existing ones. There is no certainty that development of these technologies and/or products will be completed, successfully, or at all, or if completed successfully, that a market for them will exist.

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