

**MEDIVISION - MEDICAL IMAGING LTD.**

**UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF JUNE 30, 2003 AND FOR THE SIX MONTHS AND THREE MONTHS THEN ENDED**

**MEDIVISION - MEDICAL IMAGING LTD.**

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**To: The Board of Directors**  
**MEDIVISION - MEDICAL IMAGING LTD.**

**REVIEW REPORT OF UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF AND FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2003**

We have reviewed the accompanying interim consolidated balance sheet of Medivision - Medical Imaging Ltd. and its subsidiaries (“the Group”) as of June 30, 2003, and the related interim consolidated statements of operations for the six and three months then ended and statements of changes in shareholders’ equity and cash flows for the six months then ended. These consolidated financial statements are the responsibility of the Group’s management. Our responsibility is to issue a review report on these consolidated statements based on our review.

We conducted our review in accordance with International Standards on Auditing applicable to review engagements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of Company’s personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express our audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not give a true and fair view, in accordance with International Accounting Standards.

**KOST, FORER & GABBAY**  
A member of Ernst & Young Global

Haifa, Israel  
August 19, 2003

**MEDIVISION - MEDICAL IMAGING LTD.**

**CONSOLIDATED BALANCE SHEETS**

U.S. Dollars (in thousands)

	<b>June 30,</b>	<b>December 31,</b>
	<b>2003</b>	<b>2002</b>
	<b>Unaudited</b>	<b>Audited</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	549	1,569
Restricted cash for line of credit	150	-
Trade receivables	1,660	1,217
Other accounts receivable	355	158
Inventories	549	595
<b><u>Total current assets</u></b>	3,263	3,539
<b>PROPERTY AND EQUIPMENT:</b>		
Cost	1,815	1,796
Less - accumulated depreciation	1,575	1,539
<b>Property and equipment, net</b>	240	257
<b>OTHER ASSETS:</b>		
Goodwill, net of accumulated amortization	4,136	4,257
<b><u>Total assets</u></b>	7,639	8,053

**August 19, 2003**

*Date of approval*

*Ariel Shenhar  
Director and  
Vice-President Finance*

*Noam Allon  
Director and  
Chief Executive Officer*

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

**MEDIVISION - MEDICAL IMAGING LTD.**

**CONSOLIDATED BALANCE SHEETS**

U.S. Dollars (in thousands)

	<b>June 30,</b>	<b>December 31,</b>
	<b>2003</b>	<b>2002</b>
	<b>Unaudited</b>	<b>Audited</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Short-term bank credit	1,201	1,580
Trade payables	632	685
Other accounts payable	2,985	2,942
<b><u>Total current liabilities</u></b>	4,818	5,207
<b>LONG-TERM LIABILITIES:</b>		
Long-term loans (net of current maturities)	2,220	2,321
Accrued severance pay	139	126
<b><u>Total long-term liabilities</u></b>	2,359	2,447
<b><u>Total liabilities</u></b>	7,177	7,654
<b>SHAREHOLDERS' EQUITY:</b>		
Share capital	165	165
Additional paid-in capital	8,391	8,391
Capital reserve	(311)	(311)
Accumulated deficit	(7,783)	(7,846)
<b><u>Total shareholders' equity</u></b>	462	399
<b><u>Total liabilities and shareholders' equity</u></b>	7,639	8,053

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

**MEDIVISION - MEDICAL IMAGING LTD.**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

U.S. Dollars (in thousands) -(except share and per share amounts)

	For the six months ended		For the three months ended	
	June 30,		June 30,	
	2003	2002	2003	2002
	Unaudited			
Sales	5,115	4,417	2,570	2,264
Cost of sales	2,092	1,792	1,046	929
Gross profit	3,023	2,625	1,524	1,335
Research and development costs, net	366	391	215	238
Selling and marketing expenses	1,501	1,314	785	686
General and administrative expenses	892	910	358	398
	2,759	2,615	1,358	1,322
Operating income	264	10	166	13
Financial expenses, net	203	124	138	78
	61	(114)	28	(65)
Other income (expenses), net	5	(5)	7	(9)
Income (loss) for the period before taxes on income	66	(119)	35	(74)
Taxes on income	(3)	-	(3)	-
<b>Income (loss) for the period</b>	<b>63</b>	<b>(119)</b>	<b>32</b>	<b>(74)</b>
Basic income (loss) per share (in U.S. Dollars (\$))	0.009	(0.019)	0.005	(0.011)
Weighted average number of shares used in calculating the income (loss) per share	6,804,675	6,143,298	6,804,675	6,540,124

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

**MEDIVISION - MEDICAL IMAGING LTD.**

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**

**U.S. Dollars (in thousands)**

**FOR THE SIX MONTHS ENDED JUNE 30, 2003**

	<u>Share Capital</u>	<u>Additional Paid-in Capital</u>	<u>Capital Reserve</u>	<u>Accumulated Deficit</u>	<u>Total Shareholders' Equity</u>
Balance at January 1, 2003 (audited)	165	8,391	(311)	(7,846)	399
Income for the period	-	-	-	63	63
Balance at June 30, 2003 (unaudited)	<u>165</u>	<u>8,391</u>	<u>(311)</u>	<u>(7,783)</u>	<u>462</u>

**FOR THE SIX MONTHS ENDED JUNE 30, 2002**

	<u>Share Capital</u>	<u>Additional Paid-in Capital</u>	<u>Capital Reserve</u>	<u>Accumulated Deficit</u>	<u>Total Shareholders' Equity</u>
Balance at January 1, 2002 (audited)	148	7,169	(311)	(7,587)	(581)
Issuance of shares, net *	11	845	-	-	856
Loss for the period	-	-	-	(119)	(119)
Balance at June 30, 2002 (unaudited)	<u>159</u>	<u>8,014</u>	<u>(311)</u>	<u>(7,706)</u>	<u>156</u>

\* Net of issuance costs of \$144

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

U.S. Dollars (in thousands)

	Note	For the six months ended	
		June30,	
		2003	2002
		<u>Unaudited</u>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Income (loss) for the period		63	(119)
<b>Adjustments for:</b>			
Depreciation		36	52
Erosion of long-term loans		22	3
Amortization of goodwill		121	121
Accrued severance pay, net		13	1
<b>Operating income before working capital changes</b>		<u>255</u>	<u>58</u>
Increase in trade receivables		(443)	(12)
Increase in other accounts receivable		(197)	(18)
Decrease (increase) in inventories		46	(237)
Decrease in trade payables		(53)	(108)
Increase in other accounts payable		43	165
<b>Net cash used in operating activities</b>		<u>(349)</u>	<u>(152)</u>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES:</b>			
Pledged investment		(150)	-
Purchase of property and equipment		(19)	(16)
<b>Net cash used in investment activities</b>		<u>(169)</u>	<u>(16)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Payment of long-term loans		(438)	(103)
Issuance of shares		-	1,000
Issuance costs		-	(144)
Short-term credit, net		(242)	(95)
<b>Net cash provided by (used in) financing activities</b>		<u>(680)</u>	<u>658</u>
Increase (decrease) in cash and cash equivalents		(1,198)	490
Cash and cash equivalents at the beginning of the period	5	<u>1,545</u>	<u>218</u>
Cash and cash equivalents at the end of the period	5	<u>347</u>	<u>708</u>
<b>Supplementary information:</b>			
Cash paid during the period as interest		<u>73</u>	<u>68</u>

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

**MEDIVISION - MEDICAL IMAGING LTD.**

**NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**U.S. Dollars (in thousands)**

**NOTE 1:- GENERAL**

- a. Medivision Medical Imaging Ltd. (the "Company"), an Israeli Corporation, was incorporated and commenced business operations in June 1993. The Company and its subsidiaries (the "Group") develop, manufacture and market medical imaging equipment.

The interim consolidated financial statements as at June 30, 2003 and for the periods of six months and three months then ended have been prepared in a condensed format, in accordance with the Standards issued by the International Accounting Standards Board (IASB), interpretations issued by the Standing Interpretations Committee as of IASC and applicable requirements of the Israeli law. Accordingly, the accounting principles that were applied in the preparation of the interim financial statements are consistent with those principles applied in the preparation of the annual financial statements. Never-the-less, the interim financial statements do not include all the information and disclosures required in the annual financial statements, and therefore, they should be read in conjunction with the Company's annual financial statements as at December 31, 2002.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Profit and loss results for the six-month and three-month periods ended June 30, 2003, are not necessary indicative of the results that may be expected for the year ending December 31, 2003.

- b. The Group has income for the period ended June 30, 2003 amounting to \$63 current liabilities exceed current assets by \$1,555 and accumulated deficit amounts to \$7,783.
- c. The Group's ability to continue its operations is dependent on its ability to achieve sufficient profitability. Management is of the opinion that sufficient profitability will be achieved in the near future.
- d. Below are data on the representative exchange rates of the Dollar, and the changes therein during the reported periods:

**Exchange rate of \$1:**

	<u>NIS</u>
June 30, 2003	4.312
December 31, 2002	4.737
June 30, 2002	4.769

**Rate of increase (decrease) in the period:**

	<u>%</u>
6 months ended June 30, 2003	(8.97)
3 months ended June 30, 2003	(8.00)
For the year ended December 31, 2002	7.27
6 months ended June 30, 2002	7.99
3 months ended June 30, 2002	2.16

**MEDIVISION - MEDICAL IMAGING LTD.**

**NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. Dollars (in thousands)**

**NOTE 2:- WORKING CAPITAL LINE OF CREDIT**

In May 2003, OIS entered into a \$150,000 Line of Credit agreement with its bank. The line is secured by a pledged investment with the bank equal to the amount of the line of credit. The interest charged on the line of credit is at prime rate. As of June 30, 2003, the Company has fully utilized the line.

**NOTE 3:- SOFTWARE LICENSING AGREEMENT**

In June 2003, OIS signed a licensing agreement with NextGen Healthcare Information Systems, Inc., a subsidiary of Quality Systems, Inc. Under the terms of the agreements, OIS will become a value added reseller of two computer-based practice management and medical records products: NextGen® Electronic Medical Records (EMR) and NextGen® Enterprise Practice Management (EPM).

This strategic business alliance diversifies the product portfolio of OIS, enabling OIS to offer a wider variety of products and comprehensive solutions to its customer base of ophthalmology departments and practices. The NextGen® EMR system creates and maintains complete medical records with minimal effort while it streamlines workflow, controls utilization, and manages critical data related to patient care outcomes. The NextGen® EPM system is a complete physician management system that provides a common registration system, enterprise-wide appointment scheduling, referral tracking, clinical support, a custom report writer, and patient financial management based on a managed care model.

**NOTE 4:- MODIFICATION OF SHARE CAPITAL OF OIS**

In June 2003, the Company exercised its option, according to the working capital Agreement and Amendments No. 1, 2 thereto, and the secured convertible promissory note between Medivision and OIS of \$1,150,000 principal and interest unpaid were converted, at a conversion price of \$0.185 per share, into 6,216,216 common shares of OIS. As a result of the foregoing transactions, the Company currently owns approximately 85% of OIS's outstanding common stock.

**NOTE 5:- CASH AND CASH EQUIVALENTS (For the purpose of the cash flow statements)**

Cash and cash equivalents are comprised of the following:

	<u>June30,</u>		<u>December 31,</u>	
	<u>2003</u>	<u>2002</u>	<u>2002</u>	<u>2001</u>
	<u>Unaudited</u>		<u>Audited</u>	
Cash and cash equivalents	549	708	1,569	228
Short-term bank credit	(202)	-	(24)	(10)
	<u>347</u>	<u>708</u>	<u>1,545</u>	<u>218</u>