



Press Release

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FOR IMMEDIATE RELEASE

***MediVision Presents Management's Report for the year ended December 31, 2004
Revenues Grew 18% to \$12.3M and Net Profit grew 321% to \$2.0M
Compared to FY 2003***

Yokneam Elit, Israel, MediVision Medical Imaging Ltd. (EURO.NM: MEDV) released today (March 2, 2005) information concerning its operations and financial results for year ended December 31, 2004.

MediVision Revenues for three months period and for the year ended December 31, 2004 aggregated to \$4,161,000 and \$12,317,000 as compared to sales of \$2,801,000 and \$10,468,000 for the comparable quarter and year of 2003, reflecting an increase of 49% and 18% accordingly. During the year ended December 31, 2004, 82% of the Company's Sales were in the U.S.A. and 18% were in Europe and Domestic.

Net Profit for the fourth quarter of 2004 increased by approximately 47% to \$527,000, or \$0.08 per basic and diluted share, compared with Net Profit of \$359,000, or \$0.05 per basic and diluted share, for the fourth quarter of 2003. For the 2004 fiscal year, Net Profits rose 321% to \$1,985,000, or \$0.29 per basic and diluted share from \$472,000 or \$0.07 per basic and diluted share, in fiscal 2003. This Net Profit includes capital gain from sales of common stock of the US subsidiary OIS.

The EBITDA for fourth quarter of 2004 and for the year ended December 31, 2004 were \$ 533,000 and \$1,414,000, an improvement of 389% and 106%, as compared with \$109,000 and \$686,000 for the comparable quarter of 2003 and for the year ended December 31, 2003.

Noam Allon, President and CEO of MediVision commented: "We are very pleased with our 2004 record results and the significant increase in revenues and Net Profit during this year, reflecting a major growth in the Company's activity in Europe and domestically. This growth is a result of a few years of consistent and focused activity in selected European countries, as well as the acquisition of a German company which we have announced last year. That, on top of continued growth of our American subsidiary OIS, who contributed significantly to our revenues and the growth in the net profit of the company. The performance in OIS in the fourth quarter was particularly strong, reflecting initial sales of the OIS WinStation 3200™ imaging system, and the OIS WebStation™ common software platform, released in October of 2004. The successful launch of these two proprietary products, and the introduction of the Ophthalmology Office product line significantly broadened our market."

"Throughout the year and the coming year, we are increasing our commitment to R&D in order to strengthen our product pipeline, while continuing to offer the most advanced eye care imaging products available. MediVision has achieved many of its operational and financial goals in 2004 and remains committed to expanding its growth in 2005 both in the US and Europe," Mr. Allon concluded.

Highlights of the year ended December 31, 2004:

Acquisition of German subsidiary – Effective as of July 1, 2004, the company holds 54% of the common stock of a leading German company in the field of ophthalmic imaging. The acquired company, CCS Pawlowski GmbH, manufactures and distributes systems for various ophthalmic applications and is considered to be one of the principal companies in the ophthalmic imaging field in Germany. The consideration for the 54% equity of the acquired company is approximately \$805,000 in cash and in common stock of Ophthalmic Imaging Systems (OIS), MediVision's US subsidiary. Additionally, the agreement calls for MediVision to reach 63% of holdings in the acquired company before September 2005 at a price which is based on achievement of certain milestones. MediVision has the option to reach up to 80% of the company's

holdings until January 2007. In addition to the acquisition payments, MediVision provided the acquired company with a shareholder's loan and capital increase of approximately \$86,000. The six months results of the acquired company are consolidated and disclosed in the financial reports of MediVision for year ended December 31, 2004.

Sales of OIS stock – During the year ended December 31, 2004, the Company sold a total amount of 1,050,000 shares of its US subsidiary – OIS, in consideration of \$ 1,432,500. Consequently the Company reduced it's holdings to 74% of the common stock of OIS.

Capital gain profit – During the year ended December 31, 2004, the Company recorded a net Capital gain profit of approximately \$1,293,000. The capital gain profit results mainly from the sale of 8.6% of it's holdings in OIS common stock and also from the issuance of shares by OIS to Laurus Fund related to the financing agreement signed on September 30, 2003.

Deferred Taxes and Tax benefit – During the year ended December 31, 2004, the Company recorded a gain of U.S. \$529,000 resulting from deferred taxes associated with net operating loss carryover by OIS, the US subsidiary, the financial results for the year includes a tax benefit of \$490,000 resulting from above mentioned deferred taxes.

Equity line of credit in OIS - On December 28, 2004, the OIS entered into an investment agreement with Dutchess Private Equities Fund II, LP (Dutchess) providing for an equity line of credit. Pursuant to the investment agreement, Dutchess has agreed to provide OIS with up to \$9,000,000 of funding during the thirty month period beginning on the date that a registration statement. During this thirty month period, OIS may request a drawdown under the investment agreement by selling shares of its common stock to Dutchess, and Dutchess will be obligated to purchase the shares. OIS is under no obligation to request any drawdowns under the investment agreement.

FAST 50 technology contest 2004 –The Company was awarded the 14th place out of 50 ranked companies. The 2004 Israeli Fast 50 program ranks the Israeli technology companies upon their five year percentage growth in revenues between 1999 and 2003. The contest is held by Deloitte&Touche accounting firm in Israel as well as in the US, Europe, China and Japan. This is the third consecutive year in which the Company was ranked as one of the top twenty fastest growing companies in Israel.

Launch of new products - At the joint AAO/SOE 2004 convention held during October, 2004 the Company introduced together with it's American subsidiary, OIS, two new products, WinStation 3200™ imaging system and the WebStation™. The Company believes that it will significantly contribute to its sales over the coming quarters and has already recorded a significant number of bookings of the new products during the AAO convention.

Information in regard to the Financial Situation for the three months period and year ending December 31, 2004

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

	For the year Ended December 31,		For the three months ended December 31,	
	2004	2003	2004	2003
	Audited		Unaudited	
Sales	12,317	10,468	4,161	2,801
Cost of sales	4,991	4,186	1,760	1,034
Gross Profit	7,326	6,282	2,401	1,767
Operating expenses:				
Research and development expenses, net	961	874	260	252
Selling and marketing expenses	3,432	3,317	1,056	1,036
General and administrative expenses	1,895	1,733	645	463
Total operating expenses	6,288	5,924	1,961	1,751
Operating Income	1,038	358	440	16
Financial expenses, net	387	323	142	100
	651	35	298	(84)
Other income (expenses), net	1,293	36	(4)	31
Income (loss) for the period before taxes on income	1,944	71	294	(53)
Tax benefit	490	405	499	416
Net Profit for the period before minority interests	2,434	476	793	363
Minority interests	(449)	(4)	(266)	(4)
Net Profit for the period	1,985	472	527	359
Basic and diluted earning per share	0.29	0.07	0.08	0.05

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

Sales

The consolidated Sales for the fourth quarter and for year ended December 31, 2004 aggregated to \$4,161,000 and \$12,317,000 as compared to sales of \$2,801,000 and \$10,468,000 for the comparable quarter and year of 2003, reflecting an increase of 49% and 18% accordingly. During the year ended December 31, 2004, 82% of the Company's Sales were in the U.S.A. and 18% were in Europe and Domestic.

Gross Profit

Gross profit for the three and twelve months periods ended December 31, 2004 were \$2,401,000 and \$7,326,000, which are 58% and 59% of sales revenues, as compared with \$1,767,000 and \$6,282,000 which were 63% and 60% of sales revenues for the comparable periods of 2003.

Research and Development Expenses

The Company's total R&D expenses for the three and twelve months period ended December 31, 2004 amounted to \$260,000 and \$961,000 or 6% and 8% of Sales revenues. The net R&D expenses in the previous comparable periods were \$252,000 and \$874,000, after deduction of \$ 89,000 participation by the BIRD-F in R&D expenses related to the CGLT project in the entire year of 2003. The R&D expenses for year ended December 31, 2004 were attributed mainly to the R&D efforts made in the development of new digital imaging products.

Selling and Marketing Expenses

Total Selling and Marketing expenses for the fourth quarter and year ended December 31, 2004 were \$1,056,000 and \$3,432,000, which are 25% and 28% of total Sales revenues, as compared to \$1,036,000 and \$3,317,000, which were 37% and 32% of total Sales revenues during the parallel periods. The improvement in these ratios is mainly attributed to the increase of sales revenues.

General and Administrative Expenses

General and Administration expenses include mainly salaries, professional services, rental, maintenance and various provisions. Total General and Administrative expenses for the three and twelve months periods ended December 31, 2004 were \$645,000 and \$1,895,000 which are 16% and 15% of the total Sales, as compared to \$463,000 and \$1,733,000 which were 17% and 17% of the total Sales during parallel periods of 2003.

Other Income, Net

Other income, net is attributed to Capital gain resulting from sales of OIS shares and issuance of shares by the company's subsidiary to the Laurus fund, related to the financing agreement signed on September 30, 2003.

Minority Interest

Minority interest for the year ended December 31, 2004 is attributed mainly to the part of OIS minority shareholders in the profits of OIS which amounted to \$400,000. In addition \$49,000 is attributed to the minority shareholders of the new European subsidiary, in respect to their part in the profit from the activity in Europe during the six months period ended December 31, 2004.

Balance Sheet Information

	December 31,	
	2004	2003
Assets		
Current Assets		
Cash and cash equivalents	2,311	1,315
Restricted cash	150	150
Trade receivables, net	2,395	1,735
Other accounts receivable and prepaid expenses	227	239
Inventories	945	521
Total Current Assets	6,028	3,960
Property and Equipment	284	265
Deferred Tax Asset	1,029	500
Goodwill and Other Assets	4,125	4,125
Total Assets	11,466	8,850

Liabilities and Shareholders' Equity**Current Liabilities**

Short-term credit	1,913	2,067
Trade payables	592	591
Other accounts payable and accrued expenses	3,683	2,993
Total Current liabilities	<u>6,188</u>	<u>5,651</u>

Long-Term Liabilities

Long-term loans, net of current maturities	1,506	2,182
Accrued severance pay	144	142
Total long-term liabilities	<u>1,650</u>	<u>2,324</u>
Total liabilities	<u>7,838</u>	<u>7,975</u>

Minority Interest

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Shares' Equity

Share Capital	165	165
Additional paid-in capital	8,391	8,391
Capital reserve	(311)	(311)
Accumulated deficit	(5,389)	(7,374)
Total shareholders' equity	<u>2,856</u>	<u>871</u>

Total liabilities and shareholders' equity

11,466 8,850

Cash and working capital

During the year ended December 31, 2004 cash and cash equivalent were increased by \$996,000 resulting mainly from cash provided from operation activity and from the sale of OIS shares by the company.

Working capital at the end of 2004 fiscal year amounted approximately to (\$160,000) as compared to (\$1,691,000) in fiscal year 2003, reflecting an improvement of \$1,531,000 in the consolidated working capital.

Long term debt

Long term debt during the year ended December 31, 2004 was reduced from \$2,324,000 by \$674,000 to \$1,650,000 due to repayment of long term loans.

Current and quick ratios

Current Ratio, defined as the ratio between Current Assets and Current Liabilities increased by 39% from 70% to 97%. The company's Quick Ratio was significantly improved as well and was increased by approximately 40% from 54% in fiscal year 2003 to 76% in 2004 fiscal year. Quick Ratio is defined as the ratio between the sum of Cash and Accounts Receivables to Current Liabilities. The improvement in Current and Quick Ratios further demonstrate the continuous improvement in the company's financial results and achievements.

About MediVision

MediVision specializes in digital imaging devices for ophthalmic applications with an emphasis on diagnostics related to the eye retina. MediVision's products are designed to provide digital upgrades for a range of ophthalmic imaging systems, thus significantly enhancing imaging capability and providing its users with advanced diagnostic tools. The company has significant market share and is a market leader in the ophthalmic digital imaging field.

The Company owns 74% interest in Ophthalmic Imaging Systems Inc. based in Sacramento, California, USA. The Company holds 54% interest in CCS Pawlowski GmbH. Based in Jena, Germany.

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 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.

End of message

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