



Press Release

MediVision Medical Imaging Ltd.

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FOR IMMEDIATE RELEASE

MediVision Presents Management's Report for the period ended March 31, 2006 **Revenues grew 23% to \$4.0M in the first Quarter of 2006** **The company recorded a capital gain of \$1.37 MN and net profit of \$ 1.28 MN**

Yokneam Elit, Israel, MediVision Medical Imaging Ltd. ("MediVision", EURO.NM: MEDV) released today (May 17, 2006) information concerning its operations and financial results for the period ended March 31, 2006. MediVision Revenues for the period ended March 31, 2006 aggregated to \$4,033,000 compared to revenues of \$3,272,000 for the first quarter of 2005, reflecting an increase of 23%. The company recorded a capital gain of \$1.37 MN and net profit of \$ 1.28 MN.

The EBITDA for the first quarter of 2006 were \$61,000 as compared with \$313,000 for the equivalent period in 2005. Net R&D expenses during the quarter grew up 250% from \$ 305,000 to \$ 755,000. During the period ended March 31, 2006, 86% of the Company's revenues were generated in the US and 14% were generated in Europe and other markets.

Noam Allon, President & CEO of MediVision commented: "We are proud to present the first quarter of 2006 results showing a significant increase in revenues and overall performance.

During the period R&D expenses increased significantly due to developing of a new innovative Digital Imaging Products. We anticipate that R&D expenses will further increase during the coming few quarters and the company expects to release novel technologies during that period."

Highlights of the quarter ended March 31, 2005

Sale to Kaiser Foundation – During the period the US subsidiary Ophthalmic Imaging Systems ("OIS"), signed a major contract with a key customer in the US, Kaiser Foundation Health Plan, Inc. According to the agreement OIS will provide Kaiser Permanente Health System with Ophthalmic Picture Archiving and Communications Systems (PACS) which will be the platform for the Diabetic Retinopathy Screening project ("DRS") at Kaiser Permanente's 12 regional centers throughout Southern California, USA. The contract totaling \$1.35 million includes hardware, software, implementation and training.

Sale to Henry Ford Health System - During the period the US subsidiary Ophthalmic Imaging Systems ("OIS"), signed a \$550,000 contract with Henry Ford Health System to upgrade the ophthalmology department in 15 locations to fully integrated digital systems. Completion of the project is planned for the first half of 2006. It will include the conversion of the film-based ophthalmic photography systems to digital imaging systems and the installation of a departmental interface allowing automated import of images, maps, reports and other data objects from a variety of existing and future ophthalmic diagnostic equipment to a single Information platform.

Sale of OIS shares - During the period the Company sold 1M of OIS's Common Stock to Wasatch Advisors, Inc. at a price per share of \$1.80. The net consideration received from the sales of these shares amounted to \$1,772,000 (net of expenses of \$28,000), and the Company recorded a capital gain of \$1,149,000. The Company also recorded a gain of \$226,000 from the issuance of shares by OIS upon conversion of a note. The gain is included in other income. As a result of the

foregoing transactions, the Company currently owns approximately 58% of OIS's outstanding common stock.

Information in regards to the Financial Situation for the three months ending March 31, 2006

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

| | Period ended March 31, | |
|--|------------------------|--------|
| | 2006 | 2005 |
| Sales | 4,033 | 3,272* |
| Cost of sales | 1,742 | 1,365* |
| Gross profit | 2,291 | 1,907 |
| Operating expenses: | | |
| Research and development expenses, net | 755 | 305 |
| Selling and marketing expenses | 985 | 866* |
| General and administrative expenses | 525 | 466 |
| Total operating expenses | 2,265 | 1,637 |
| Operating income | 26 | 270 |
| Financial expenses, net | 80 | 75 |
| Profit (loss) for the period before other income | (54) | 195 |
| Other income, net | 1,335 | 10 |
| Profit for the period before taxes on income | 1,281 | 205 |
| Taxes on income | - | 14 |
| Net Profit for the period | 1,281 | 191 |
| Attributed to: | | |
| Equity holders of the parent | 1,106 | 94 |
| Minority interest | 175 | 97 |
| | 1,281 | 191 |
| Basic earnings per share (in Dollars) | 0.16 | 0.01 |
| Diluted earnings per share (in Dollars) | 0.15 | 0.01 |

*Reclassified - The Company reports installation revenue within sales, and installation expenses within cost of sales. Prior to 2005 such amounts were immaterial, and were presented, net, in selling and marketing expenses.

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

Sales - The consolidated Sales for the period ended March 31, 2006 aggregated to \$4,033,000 as compared to sales of \$3,272,000 for the comparable period of 2005, reflecting an increase of 23%. During the period ended March 31, 2006, 86% of the Company's Sales were generated in the U.S. and 14% were generated in Europe and other markets compared with 82% of Company's sales in the U.S. and 18% in Europe and other markets during the equivalent period of 2005.

Gross Profit - Gross profit for the period ended March 31, 2006 were \$2,291,000, or 57% of sales revenues, as compared with \$1,907,000 which were 58% of sales revenues for the comparable period of 2005. This change in percentage stems predominantly from changes in product mix.

Research and Development Expenses - Total R&D expenses for the period ended March 31, 2006 amounted to \$755,000 or 19% of Sales revenues. The net R&D expenses in the previous period of 2005 were \$305,000 or 9% of Sales revenues in 2005. The increase in R&D expenses for the period ended March 31, 2006 is 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 period ended March 31, 2006 amounted \$985,000 which are 24% of total Sales revenues, as compared with \$866,000 which were 26% of total Sales revenues for the comparable period in 2005. The improvement in these ratios is mainly attributed to the increase of sales revenues.

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 period ended March 31, 2006 were \$525,000 which are 13% of the total Sales, as compared to \$466,000, which were 14% of total Sales for the first quarter of 2005.

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 deducted by other expenses in connection with previous years' issues. During first quarter of 2006 the Company sold 1,000,000 of OIS's Common Stock for the consideration of approximately \$1,772,000 (net of expenses of \$28,000), the associated capital gain for this transaction amounted to \$1,149,000. The Company also recorded a gain of \$226,000 from the issuance of shares by OIS upon conversion of a note.

Minority Interest - Minority interest for the period ended March 31, 2006 is attributed mainly to the part of OIS minority shareholders in the profits of OIS which amounted to \$173,000. In addition \$2,000 are attributed to the minority shareholders of CCS Pawlowski GmbH, the company's German subsidiary.

Balance Sheet Information

| | <u>March 31, 2006</u> | <u>December 31, 2005</u> |
|--|-----------------------|--------------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | 6,762 | 5,005 |
| Restricted cash | 150 | 150 |
| Trade receivables, net | 2,238 | 3,201 |
| Other accounts receivable and prepaid expenses | 525 | 427 |
| Inventories | 1,082 | 642 |
| Total Current Assets | <u>10,757</u> | <u>9,425</u> |
| Property and Equipment, net | 227 | 218 |
| Deferred Tax Asset | 1,124 | 1,124 |
| Goodwill and Other Assets | 3,326 | 3,712 |
| Total Assets | <u><u>15,434</u></u> | <u><u>14,479</u></u> |
| Liabilities and Equity | | |
| Current Liabilities | | |
| Short-term credit and current maturities | 1,076 | 1,525 |
| Trade payables | 325 | 738 |
| Other accounts payable and accrued expenses | 4,771 | 4,368 |
| Total Current liabilities | <u>6,172</u> | <u>6,631</u> |
| Long-Term Liabilities | | |
| Long-term loans, net of current maturities | 1,390 | 1,996 |
| Other Liabilities | 170 | 157 |
| Total long-term liabilities | <u>1,560</u> | <u>2,153</u> |
| Total liabilities | <u><u>7,732</u></u> | <u><u>8,784</u></u> |
| Equity | | |
| Share Capital | 165 | 165 |
| Additional paid-in capital | 8,515 | 8,506 |
| Capital reserve | (311) | (311) |
| Accumulated deficit | (3,240) | (4,346) |
| | <u>5,129</u> | <u>4,014</u> |
| Minority interest | 2,573 | 1,681 |
| Total Equity | <u>7,702</u> | <u>5,695</u> |
| Total liabilities and equity | <u><u>15,434</u></u> | <u><u>14,479</u></u> |

Cash and working capital - During the period ended March 31, 2006 cash and cash equivalent were increased by \$1,757,000 resulting mainly from cash provided from the sales of OIS shares held by the Company.

Long-term debt - Long-term debt during the period ended March 31, 2006 was significantly decreased from \$2,153,000 to \$1,560,000 due to repayment of existing long-term loans and conversion of a note in OIS.

Total equity - During the period ended March 31, 2006, total equity was increased by \$2,007,000 or 35% reaching \$7,702,000.

About MediVision - MediVision specializes in digital imaging devices for medical 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. As of the balance sheet date, the Company owns 58% interest in Ophthalmic Imaging Systems Inc. based in Sacramento, California, USA and 63% 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.

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