



Press Release

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FOR IMMEDIATE RELEASE

MediVision Presents Management's Report for the Second Quarter of 2009

Haifa, Israel, MediVision Medical Imaging Ltd. ("MediVision", "MV", EURO.NM: MEDV) released today (Monday, August 31, 2009) information concerning its operations and financial results for the period ended June 30, 2009. MediVision consolidated revenues for the three months ended June 30, 2009 aggregated to \$3,353,000 compared to revenues of \$3,677,000 for the comparable quarter in 2008, reflecting a decrease of 8.8%.

During the Second quarter, the Company finished the process of implementation of downsizing plan that included among others layoff of employees and significant cut of expenses and overheads. The company signed an Asset Purchase Agreement ("APA") on June 24, 2009 with its US subsidiary Ophthalmic Imaging Systems ("OIS", OTCBB: OISI), under which OIS will acquire certain assets and assume certain liabilities from MediVision. In parallel, OIS announced that it has signed a share purchase agreement ("SPA") with U.M. AccelMed, Limited Partnership for a \$6.0 million private placement of OIS common stock and warrants to be completed in two installments. As a result of this agreement, the share of MediVision in OIS has been reduced from 56% to 35% and these reports are the first reports in which MediVision does not combine OIS reports.

Highlights of the three months ended June 30, 2009

SPA agreement between OIS to Accelmed

Under the terms of the SPA, OIS may issue up to an aggregate of 13,214,317 shares of its common stock and warrants to purchase up to an aggregate of 4,404,772 shares of the its common stock. OIS intends to use the net proceeds for working capital and general corporate purposes. The first installment of approximately \$4.0 million was completed on June 24, 2009. In the first installment the Company sold 9,633,228 shares of common stock at a purchase price of \$0.415 per share and issued three year warrants to purchase up to 3,211,076 shares of common stock at \$1.00 per share. The second installment, of approximately \$2.0 million consisting of 3,581,089 shares of common stock at a purchase price of \$0.558 per share and warrants to purchase 1,193,696 shares of common stock at \$1.00 per share is expected to be completed by April 15, 2010, subject to certain conditions. The warrants to be issued in the 2nd installment will expire three years from the date of completion of the 1st installment. The main influence of this SPA agreement is the reduction of MediVision share in OIS to 35% instead of 56%. As a result MediVision does not combine OIS results to the reports, starting July 1, 2009.

APA agreement with OIS from June 24, 2009

According to the APA and subject to the conditions of the agreements as defined hereinafter, OIS will acquire all of 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 is to release 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.

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 is to deposit in escrow approximately 6 million shares of OIS, which MV owns (valuated at approximately \$2 million based on current share price of OIS), 3.8 million of which shall also be pledged to OIS, and may be impounded by OIS, if Closing of the APA does not occur within 120 days of signing of the APA.

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 pending Closing of the APA, 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, a proxy signed by the principal shareholders of MV in favor of approval of the APA at a general meeting of MV's shareholders, and an Escrow Agreement.

The Board of Directors of MV and its Audit Committee resolved that the main reasons for the approval of the APA and the ancillary documents attached thereto are as follows:

- (i) Approval of the APA will allow the implementation of a Share Purchase Agreement signed between OIS and Accelmed, a strategic investor, under which Accelmed is to invest \$4 million reflecting a pre-money valuation of \$7.2 million (or \$0.415 per OIS share) for OIS, and after which Accelmed is expected to hold approximately 35% of the OIS common stock, thus allowing OIS, MV's main asset, to avoid significant draw-back in its activities.
- (ii) Without approval of the APA, MV might have had to sell its holdings in OIS, while the current market conditions may not allow full execution of such sale and at low prices.
- (iii) Due to the global financial crisis, and after examining its options, MV's Board of Directors found that raising funds for itself at this time is not possible at a fair price.
- (iv) Having relied on the Fairness Opinion, the MV Board of Directors and Audit Committee determined that the consideration to be received by MV under the APA is fair, from a financial point of view, to MV and its shareholders.
- (v) That approval of the APA is in MV's best interests and not detrimental to MV.

The APA was unanimously approved by MV's Board of Directors and Audit Committee, is subject to approval by MV's shareholders in a special shareholders meeting to be convened forthwith, whereupon the Closing of the APA will be held subject to, securing all other approvals and consents which are legally required. MV has published a separate notice for convening a meeting of MV's shareholders for approval of the APA.

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

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

	Six month period ended June 30,		Three month period ended June 30,		Year ended December 31,
	2009	2008	2009	2008	2008
	Unaudited		Unaudited		Audited
Sales	5,988	7,278	3,353	3,677	14,410
Cost of sales	<u>3,163</u>	<u>3,470</u>	<u>1,947</u>	<u>1,695</u>	<u>6,630</u>
Gross profit	<u>2,825</u>	<u>3,808</u>	<u>1,406</u>	<u>1,982</u>	<u>7,780</u>
Operating expenses:					
Research and development expenses	1,344	1,318	406	739	2,859
Selling and marketing expenses	1,994	2,395	981	1,198	4,832
General and administrative expenses	1,435	1,413	832	666	2,319
Other expenses (income), net	<u>(436)</u>	<u>153^(*)</u>	<u>(637)</u>	<u>96^(*)</u>	<u>520^(*)</u>
Total operating expenses	<u>4,337</u>	<u>5,279</u>	<u>1,582</u>	<u>2,699</u>	<u>10,530</u>
Operating loss	(1,512)	(1,471)	(176)	(717)	(2,750)
Financial income	70	160 ^(**)	19	66 ^(**)	261 ^(**)
Financial expenses	<u>(431)</u>	<u>(408)^(**)</u>	<u>(282)</u>	<u>(109)^(**)</u>	<u>(792)^(**)</u>
Loss before taxes on income	(1,873)	(1,719)	(439)	(760)	(3,281)
Income tax expense	<u>(3)</u>	<u>(48)</u>	<u>(2)</u>	<u>(35)</u>	<u>(1,341)^(*)</u>
	(1,876)	(1,767)	(441)	(795)	(4,622) ^(*)
Share in losses of affiliated company	<u>(692)</u>	<u>-</u>	<u>(692)</u>	<u>-</u>	<u>-</u>
	(2,568)	(1,767)	(1,133)	(795)	(4,622)
Other comprehensive loss:					
Loss for the period	(2,568)	(1,767)	(1,133)	(795)	(4,622)
Exchange differences on translating foreign operations	<u>26</u>	<u>97</u>	<u>82</u>	<u>(3)</u>	<u>(103)</u>
Total comprehensive loss for the period	<u>(2,542)</u>	<u>(1,670)</u>	<u>(1,051)</u>	<u>(798)</u>	<u>(4,725)^(*)</u>
Attributable to:					
Owners of the parent	(2,236)	(1,408) ^(*)	(1,251)	(657) ^(*)	(3,399) ^(*)
Minority interest	<u>(306)</u>	<u>(262)^(*)</u>	<u>200</u>	<u>(141)^(*)</u>	<u>(1,326)^(*)</u>
	<u>(2,542)</u>	<u>(1,670)^(*)</u>	<u>(1,051)</u>	<u>(798)</u>	<u>(4,725)^(*)</u>
Basic loss per share (in Dollars)	<u>(0.093)</u>	<u>(0.207)^(*)</u>	<u>(0.061)</u>	<u>(0.096)^(*)</u>	<u>(0.442)^(*)</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

Sales - The consolidated Sales for the three month ended June 30, 2009 aggregated to \$3,353,000 compared to sales of \$3,677,000 for the comparable quarter of 2008, reflecting a decrease of 9%.

Gross Profit - Gross profit for the quarter ended June 30, 2009 were \$1,406,000 or 41.9% of sales revenues, as compared with \$1,982,000 which were 54% of sales revenues for the comparable quarter of 2008. Gross margins decreased due to the decrease in sales with fixed overhead costs.

Research and Development Expenses - Net R&D expenses for the quarter ended June 30, 2009 amounted to \$406,000 or 12% of Sales revenues.

Selling and Marketing Expenses - Total Selling and Marketing expenses for the quarter ended June 30, 2009 amounted \$981,000 which are 29% of total Sales revenues, as compared with \$1,197,000 which were 26% 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 June 30, 2009 were \$832,000 which are 25% of the total Sales, as compared to \$666,000, which were 18% of total Sales in the comparable quarter of 2008.

Minority Interest - Minority interest for the period ended June 30, 2009 are attributed mainly to the part of OIS minority shareholders in the loss of OIS. In addition part of the minority interest is attributed to the minority shareholders of CCS Pawlowski GmbH, the company's German subsidiary.

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

Balance Sheet Information

US dollars (thousands)

	June 30, 2009	June 30, 2008	December 31, 2008
	Unaudited		Audited
A S S E T S			
Current assets			
Cash and cash equivalents	20	4,764	2,785
Restricted cash	-	170	158
Accounts receivable:			
Trade, net	703	2,690	2,343
Other accounts receivable	88	872	428
Inventories	123	1,472	1,576
Assets and disposal group classified as held for sale	3,981	-	-
Total current assets	<u>4,915</u>	<u>9,968</u>	<u>7,290</u>
Non-current assets			
Property and equipment, net	<u>32</u>	<u>550</u>	<u>600</u>
Investment in affiliated company	<u>4,221</u>	-	-
Deferred tax assets	<u>-</u>	<u>1,134</u>	<u>-(*)</u>
Goodwill and other intangible assets	<u>-</u>	<u>7,297</u>	<u>8,080</u>

Total assets	<u>9,168</u>	<u>18,949</u>	<u>15,970</u>
US dollars (thousands)			
	June 30,	December 31,	
	2009	2008	2008
	Unaudited	Audited	
LIABILITIES AND EQUITY			
Current liabilities			
Short-term bank credit and other current liabilities	2,504	2,838	3,664
Trade payables	706	919	1,409
Other accounts payable	5,237	4,334	4,305
Liabilities included in disposal group held for sale	268	-	-
Total current liabilities	<u>8,715</u>	<u>8,091</u>	<u>9,378</u>
Long-term liabilities			
Long-term loans, net of current maturities	-	2,197	1,034
Long-term employee benefits	66	127	64
Total long-term liabilities	<u>66</u>	<u>2,324</u>	<u>1,098</u>
Total liabilities	<u>8,781</u>	<u>10,415</u>	<u>10,476</u>
Equity			
Equity attributable to owners of the parent:			
Ordinary shares	215	215	215
Additional paid-in capital	9,302	9,281	9,302
Capital reserve	(311)	(311)	(311)
Foreign currency translation differences	80	214	67
Accumulated deficit	(9,075)	(4,982) ^(*)	(6,826) ^(*)
	211	4,417 ^(*)	2,447 ^(*)
Minority interest	<u>176</u>	<u>4,117^(*)</u>	<u>3,047^(*)</u>
Total equity	<u>387</u>	<u>8,534^(*)</u>	<u>5,494^(*)</u>
Total liabilities and equity	<u>9,168</u>	<u>18,949</u>	<u>15,970</u>

Long-term debt - Long-term debt during the year ended June 30, 2009 decreased due to repayments of loans and higher allocation to current maturities.

Total equity - During the quarter ended March 30, 2009, total equity was decreased by \$3,616,000 reaching \$387,000. From this amount \$1,051,000 was a loss of a period and \$2,565,000 was a result of change in minority interest due to loss in control in OIS.

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)
	Six month period ended June 30, 2009
	Unaudited
Current assets	
Cash and cash equivalents	315
Accounts receivable	136
Inventories	138
Non-current assets	
Property, plant and equipment	155
Goodwill and other intangible assets	<u>3,237</u>
Assets classified as held for sale	<u><u>3,981</u></u>
Current liabilities	
Short-term bank credit and other current liabilities	28
Trade and other payables	158
Non-current liabilities	
Long-term loans, net of current maturities	<u>82</u>
Liabilities classified as held for sale	268

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 35% 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 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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