



Press Release

MediVision Medical Imaging Ltd.

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FOR IMMEDIATE RELEASE

MediVision Presents Management's Report for Q2/2006

Revenues grew 15% to \$4.1M compared to Q2/2005

Yokneam Elit, Israel, MediVision Medical Imaging Ltd. ("MediVision", EURO.NM: MEDV) released today (August 23, 2006) information concerning its operations and financial results for the six and three months periods ended June 30, 2006. MediVision Revenues for the three and six months period ended June 30, 2006 aggregated to \$4,116,000 and \$8,149,000 compared to revenues of \$3,582,000 and \$6,854,000 for the comparable periods of 2005, reflecting an increase of 15% and 19% accordingly.

The EBITDA for the three and six months periods of 2006 were \$369,000 and \$434,000 as compared with \$378,000 and \$691,000 for the equivalent three and six months periods in 2005.

Noam Allon, President & CEO of MediVision commented: "We are pleased to present the second quarter results showing a significant increase in revenues compared to last year. During the period the company continued to deliver previous orders to large accounts such as Kaiser Foundation and the Henry Ford Health System. In addition the company concluded sales agreements with new major customers. During the first half period R&D expenses increased significantly to \$1.2M due to developing efforts of new innovative Digital Imaging Products which the company expects to release in the future."

Highlights of the six month period ended June 30, 2006

Development costs - In the three months ended June 30, 2006, the Company recognized development costs in the amount of \$328,000 as an intangible asset in accordance with the criteria for recognition as set forth in IAS 38 "Intangible Assets".

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 six and three month's periods ending June 30, 2006

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

	<u>For the six months Ended June 30,</u>		<u>For the three months ended June 30,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	Unaudited			
Sales	8,149	6,854*	4,116	3,582*
Cost of Sales	3,537	2,945*	1,795	1,579*
Gross Profit	4,612	3,909	2,321	2,003
Operating expenses:				
Research and Development costs	1,190	733	435	428
Selling and Marketing expenses	1,939	1,692*	954	827*
General and Administrative expenses	1,125	926	600	460
Total operating expenses	4,254	3,351	1,989	1,715
Operating income	358	558	332	288
Financial expenses, net	133	156	55	81
Profit for the period before Other Income	225	402	277	207
Other Income, net	1,347	36	12	26
Profit for the period before taxes on Income	1,572	438	289	233
Taxes on Income	9	27	9	13
Net Profit for the period	1,563	411	280	220
Attributed to:				
Equity holders of the parent	1,158	234	52	140
Minority interests	405	177	228	80
	1,563	411	280	220
Basic and diluted earnings per share (in U.S. Dollars)	0.16	0.03	0.00	0.02

*As of 2006 the Company reports installation revenue within sales, and installation expenses within cost of sales. For this purpose the numbers related to these line items in 2005 were Re-classified to allow proper comparison. Prior to 2006 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 three and six months period ended June 30, 2006 aggregated to \$4,116,000 and \$8,149,000 as compared to sales of \$3,582,000 and \$6,854,000 for the comparable periods of 2005, reflecting an increase of 15% and 19% accordingly. During the six months period ended June 30, 2006, 87% of the Company's Sales were generated in the U.S. and 13% 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 three and six months periods ended June 30, 2006 were \$2,321,000 and \$4,612,000 or 56% and 57% of sales revenues, as compared with \$2,003,000 and \$3,909,000 which were 56% and 57% of sales revenues for the comparable periods of 2005.

Research and Development Expenses - Net R&D expenses for the three and six months periods ended June 30, 2006 amounted to \$435,000 and \$1,190,000 or 11% and 15% of Sales revenues accordingly. The total R&D expenses in the three and six months periods of 2005 were \$428,000 and \$733,000 which were 12% and 11% of Sales revenues in 2005. During the 2nd quarter of 2006, the Company recognized development costs in the amount of \$328,000 as an intangible asset in accordance with the criteria for recognition as set forth in IAS 38 "Intangible Assets". The increase in R&D expenses for the period ended June 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 three and six months periods ended June 30, 2006 amounted \$954,000 and \$1,939,000 which are 23% and 24% of total Sales revenues accordingly, as compared with \$827,000 and \$1,692,000 which were 23% and 25% of total Sales revenues for the comparable periods in 2005 accordingly.

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 three and six months periods ended June 30, 2006 were \$600,000 and \$1,125,000 which are 15% and 14% of the total Sales, as compared to \$460,000 and \$926,000, which were 13% and 14% of total Sales for the comparable periods of 2005.

Other Income, Net - 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 three and six months periods ended June 30, 2006 is attributed mainly to the part of OIS minority shareholders in the profits of OIS which amounted to \$221,000 and \$396,000 accordingly. In addition \$7,000 and \$9,000 accordingly, are attributed to the minority shareholders of CCS Pawlowski GmbH, the company's German subsidiary.

Balance Sheet Information

	<u>June 30, 2006</u>	<u>December 31, 2005</u>
Assets		
Current Assets		
Cash and cash equivalents	6,781	5,005
Restricted cash	157	150
Trade receivables, net	2,005	3,201
Other accounts receivable and prepaid expenses	472	427
Inventories	1,062	642
Total Current Assets	<u>10,477</u>	<u>9,425</u>
Property and Equipment, net	264	218
Deferred Tax Asset	1,124	1,124
Goodwill and Other Assets	3,654	3,712
Total Assets	<u><u>15,519</u></u>	<u><u>14,479</u></u>
Liabilities and Equity		
Current Liabilities		
Short-term credit and current maturities	1,163	1,525
Trade payables	879	738
Other accounts payable and accrued expenses	4,225	4,368
Total Current liabilities	<u>6,267</u>	<u>6,631</u>
Long-Term Liabilities		
Long-term loans, net of current maturities	1,074	1,996
Other Liabilities	180	157
Total long-term liabilities	<u>1,254</u>	<u>2,153</u>
Total liabilities	<u>7,521</u>	<u>8,784</u>
Equity		
Share Capital	165	165
Additional paid-in capital	8,524	8,506
Capital reserve	(311)	(311)
Accumulated deficit	(3,188)	(4,346)
	<u>5,190</u>	<u>4,014</u>
Minority interest	2,808	1,681
Total Equity	<u>7,998</u>	<u>5,695</u>
Total liabilities and equity	<u><u>15,519</u></u>	<u><u>14,479</u></u>

Cash and working capital - During the period ended June 30, 2006 cash and cash equivalent were increased by \$1,776,000 resulting mainly from cash provided from the sales of OIS shares held by the Company and decrease in trade receivables balance.

Long-term debt - Long-term debt during the period ended June 30, 2006 was significantly decreased from \$2,153,000 to \$1,254,000 due to repayment of existing long-term loans and conversion of a note in OIS.

Total equity - During the period ended June 30, 2006, total equity was increased by \$2,303,000 or 40% reaching \$7,998,000.

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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