

**MEDIVISION MEDICAL IMAGING LTD.**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS AT 30 JUNE 2011**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2011**

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## Report on review of interim condensed financial statements to the shareholders of Medivision Medical Imaging Ltd.

### Introduction

We have reviewed the accompanying interim condensed financial statements of Medivision Medical Imaging Ltd. ("the Company") as at 30 June 2011, comprising of the interim statements of financial position as at 30 June 2011 and the related interim statements of income, comprehensive income, changes in equity and cash flow for six and three months period then ended.

We did not review the financial statements of an associate, the investment in which, at equity, amounted to \$846 thousand as of 30 June 2011, and the Company's share in its losses amounted to \$901 thousand for the period of six months ended 30 June 2011. The financial statements of this associate were reviewed by other auditors and have been furnished to us, and our review, as it relates to amounts included for the associate, is based on the review of the other auditors.

### Management's responsibility for the financial statements

Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review and the review of the other auditors, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Without qualifying our conclusion, we draw attention to Note 2.3 to the financial statements. The Company restated its financial statements for the period of six and three months ended 30 June 2010, in order to retroactively reflect the effect of changes in the accounting treatment.

Ramat-Gan, Israel  
August 21, 2011



Haklai & Co.  
Certified Public Accountants

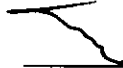
## Interim consolidated statement of financial position

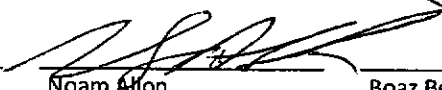
As at 30 June 2011

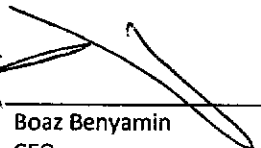
	30 June		31 December
	2011	2010	2010
	Unaudited		audited
	\$000		
<b>Assets</b>			
<b>Current assets</b>			
Trade and other receivables	3	61	65
	3	61	65
<b>Non-current assets</b>			
Investments in an associate	846	2,166	1,838
<b>Total assets</b>	<b>849</b>	<b>2,227</b>	<b>1,903</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Credit from banks and shareholders	75	186	1,892
Trade and other payables	176	433	178
	251	619	2,070
<b>Non-current liabilities</b>			
Convertible loan from shareholders	-	1,240	-
Employee benefit liability	-	61	-
	-	1,301	65
<b>Total liabilities</b>	<b>251</b>	<b>1,920</b>	<b>2,135</b>
<b>Equity</b>			
Issued capital	379	215	215
Share premium	10,781	9,302	9,302
Capital reserve	(311)	(311)	(311)
Retained deficit	(10,251)	(8,899)	(9,438)
<b>Total equity</b>	<b>598</b>	<b>307</b>	<b>(232)</b>
<b>Total equity and liabilities</b>	<b>849</b>	<b>2,227</b>	<b>1,903</b>

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

August 21, 2011

Date of approval of the  
financial statements
  
 Yigal Berman  
 Chairman of the Board

  
 Noam Afion  
 CEO

  
 Boaz Benyamin  
 CFO

Interim consolidated statement of income

For the six and three months ended 30 June 2010

	Period of six months ended June 30		Period of three months ended June 30		Year ended December 31
	2011	2010	2011	2010	2010
	Unaudited				audited
	\$000				
Other income (loss)	230	1,064	5	853	1,064
Selling and marketing expenses	-	-	-	-	-
General and administrative expenses	(67)	(98)	(54)	(44)	(98)
Research and development costs, net	-	-	-	-	-
<b>Operating profit (loss)</b>	<b>163</b>	<b>966</b>	<b>(49)</b>	<b>809</b>	<b>966</b>
Financial income	-	-	-	-	-
Financial expenses	(75)	(82)	(38)	(26)	(82)
share in loss of an associate	(901)	* (560)	(469)	* (45)	* (421)
<b>loss before tax</b>	<b>(812)</b>	<b>324</b>	<b>(556)</b>	<b>738</b>	<b>(463)</b>
Income tax expenses	-	-	-	-	-
<b>Loss for the year</b>	<b>(813)</b>	<b>324</b>	<b>(556)</b>	<b>738</b>	<b>(463)</b>
attributable to:					
Equity holders of the parent	(813)	324	(556)	738	(463)
Minority interests	-	-	-	-	-
	<b>(813)</b>	<b>324</b>	<b>(556)</b>	<b>738</b>	<b>(463)</b>
Earnings per share					
Basic, loss for the year attributable to ordinary equity holders of the parent	(0.095)	0.038	(0.066)	0.086	(0.054)

\* Restated

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

## Interim consolidated statement of comprehensive income

For the six and three months ended 30 June 2010

	Period of six months ended June 30		Period of three months ended June 30		Year ended December 31
	2011	2010	2011	2010	2010
	Unaudited				audited
	\$000				
<b>Loss for the year</b>	<b>(813)</b>	<b>324</b>	<b>(556)</b>	<b>738</b>	<b>(414)</b>
<b>Other comprehensive income</b>					
Exchange differences on translating foreign operations	-	-	-	-	-
<b>Total comprehensive loss</b>	<b>(813)</b>	<b>324</b>	<b>(556)</b>	<b>738</b>	<b>(414)</b>
attributable to:					
Equity holders of the parent	(813)	* 324	(556)	* 738	* (414)
Minority interests	-	-	-	-	-
	<b>(813)</b>	<b>324</b>	<b>(556)</b>	<b>738</b>	<b>(414)</b>
Earnings per share					
Basic, loss for the year attributable to ordinary equity holders of the parent	(0.095)	0.038	(0.066)	0.086	(0.054)

\* Restated

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

## Interim consolidated statement of changes in equity

For the six months ended 30 June 2011

	Attributable to equity holders of the Parent				Total \$000
	Share capital \$000	Share premium \$000	Capital reserve \$000	Retained deficit \$000	
<b>As at 1 January 2011</b>	215	9,302	(311)	(9,438)	(232)
Conversion of convertible note	164	1,479	-	-	1,643
Total comprehensive loss	-	-	-	(813)	(813)
<b>As at 30 June 2011 (unaudited)</b>	<b>379</b>	<b>10,781</b>	<b>(311)</b>	<b>(10,251)</b>	<b>598</b>
<b>As at 1 January 2010</b>	<b>215</b>	<b>9,302</b>	<b>(311)</b>	<b>(9,223)</b>	<b>(17)</b>
Total comprehensive loss	-	-	-	324	324
<b>As at 30 June 2010 (unaudited)</b>	<b>215</b>	<b>9,302</b>	<b>(311)</b>	<b>(8,899)</b>	<b>307</b>
	Attributable to equity holders of the Parent				Total \$000
	Share capital \$000	Share premium \$000	Capital reserve \$000	Retained deficit \$000	
<b>As at 1 April 2011</b>	379	10,781	(311)	(9,695)	1,154
Total comprehensive loss	-	-	-	(556)	(556)
<b>As at 30 June 2011 (unaudited)</b>	<b>379</b>	<b>10,781</b>	<b>(311)</b>	<b>(10,251)</b>	<b>598</b>
<b>As at 1 April 2010</b>	<b>215</b>	<b>9,302</b>	<b>(311)</b>	<b>(9,637)</b>	<b>(431)</b>
Total comprehensive profit	-	-	-	738	738
<b>As at 30 June 2010 (unaudited)</b>	<b>215</b>	<b>9,302</b>	<b>(311)</b>	<b>(8,899)</b>	<b>307</b>
<b>As at 1 January 2010</b>	<b>215</b>	<b>9,302</b>	<b>(311)</b>	<b>(9,223)</b>	<b>(17)</b>
Total comprehensive loss	-	-	-	(215)	(215)
<b>As at 31 December 2010</b>	<b>215</b>	<b>9,302</b>	<b>(311)</b>	<b>(9,438)</b>	<b>(232)</b>

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

## Interim consolidated statement of cash flows

For the six months ended 30 June 2011

	Period of six months ended June 30		Period of three months ended June 30		Year ended December 31
	2011	2010	2011	2010	2010
	Unaudited				audited
	\$000				
<b>Operating activities</b>					
Profit (loss) for the period	(813)	* 324	(556)	* 738	* (414)
Non-cash Adjustments to reconcile loss to net cash flows					
Gain from Decrease of holding in subsidiary	(235)	(748)	-	(624)	(124)
Gain (loss) from sale of investments in subsidiary		(148)		(80)	(68)
Company's share of loss of associate	901	560	469	45	515
Financial costs	75	82	38	26	56
Working capital adjustments					
Decrease in trade and other receivables	62	114	8	62	52
Decrease in employee benefit liability	(65)	-			-
Decrease in trade and other payables	(46)	(550)	(19)	(431)	(119)
	<u>(121)</u>	<u>(366)</u>	<u>(60)</u>	<u>(264)</u>	<u>(102)</u>
Interest Paid	(7)	(18)	(2)	3	(21)
<b>Net cash used in operating activities</b>	<u>(128)</u>	<u>(384)</u>	<u>(62)</u>	<u>(261)</u>	<u>(123)</u>
<b>Investing activities</b>					
Proceeds from sale of investments in subsidiary	326	217	-	112	105
<b>Net cash from investing activities</b>	<u>326</u>	<u>217</u>	<u>-</u>	<u>112</u>	<u>105</u>
<b>Financing activities</b>					
Short-term credit from banks	(198)	140	62	140	-
<b>Net cash from (used in) financing activities</b>	<u>(198)</u>	<u>140</u>	<u>(1588)</u>	<u>140</u>	<u>-</u>
Net decrease in cash and cash equivalents	-	(27)	-	(9)	(18)
Cash and cash equivalents at 1 January	-	(27)	-	9	27
<b>Cash and cash equivalents at 31 December</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9</u>

\* Restated

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

## Notes to the consolidated financial statements

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### 1. Corporate information

The interim condensed consolidated financial statements of the company for the three month ended in 31 March 2011 were authorized for issue in accordance with a resolution of the Board of Directors on 23 May 2011.

Medivision Medical Imaging Limited is limited company incorporated and domiciled in Israel whose shares are publicly traded in Belgium.

### 2. Basis of preparation and accounting policies

#### 2.1 Basis of preparation

The interim condensed financial statements for the six month ended 30 June 2011 have been prepared in accordance with IAS 34.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2010.

#### 2.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2011.

#### 2.3 Restatement

The Company restated its financial statements for the six months ended 30 June 2010, in order to retroactively reflect the effect of changes in the accounting treatment of the following issues:

OIS restated its financial statements as at 30 June 2010 to correct errors related to its accounting treatment for warrants issued in 2007, 2009, and 2010. These warrants contain ratchet provisions which require the warrants to be classified as liabilities and fair valued each reporting period rather than equity instruments.

As a result of the accounting policy change, the following adjustments made to the financial statements:

#### Statement of financial position

As at 30 June 2010:

- ▶ Decrease in investment in an associate: \$ 568 thousands.
- ▶ Increase in retained deficit: \$ 568 thousands.

#### Statement of income

For the period of three months ended 30 June 2010:

- ▶ Increase in share of loss of an associate: \$ 113 thousands.
- ▶ Decrease in loss for the year: \$ 113 thousands.

For the period of six months ended 30 June 2010:

- ▶ Increase in share of loss of an associate: \$ 111 thousands.
- ▶ Increase in loss for the year: \$ 111 thousands

The effect on loss per share related to the restatement of income for the period of six months ended 30 June 2010 was an increase loss per share of \$0.013.

## Notes to the consolidated financial statements

### 3. Investment in an associate

The company has 28.48% in Ophthalmic Imaging Systems, which is involved in the business of designing, developing, manufacturing and marketing digital imaging systems and informatics solutions.

Ophthalmic Imaging Systems is a company incorporated in Sacramento, California, USA, whose shares are traded over the counter on the NASDAQ.

The company holds 8,631,311 shares of OIS common stock. At August 4, 2011 the Shareholders meeting approved Share purchase agreement with Merge Healthcare Incorporated. According to the share purchase agreement with Merge Healthcare Incorporated, the shares of OIS will be converted into Merge Healthcare Incorporated shares in the ratio of 0.1693. The market value as at 30 June 2011 is 7.6 million US dollars.

#### Condensed information on financial position as at 30 June 2011

	30 June		31
	2011	2011	December
	unaudited		2010
			audited
	\$000		
Current assets	8,256	11,143	10,109
Non-current assets	2,061	3,275	2,510
Total assets	10,317	14,418	12,619
Current liabilities	8,624	5,943	8,218
Non-current liabilities	1,946	2,073	1,553
Total liabilities	10,570	8,016	9,771
Equity attributable to equity holders of the parent	631	5,951	2,431
Equity attributable to Minority	379	451	417

#### Condensed information on statements of income for the three months ended 30 June 2011

	30 June		31
	2011	2010	December
	unaudited		2010
			audited
	\$000		
Revenues	4,760	8,893	4,133
Gross profit	2,846	5,113	2,267
Operating loss	(378)	(1,017)	(639)
Loss for the period	(1,630)	(1,348)	(1,495)
Total comprehensive loss	(1,649)	(1,433)	(1,515)
attributable to:			
Equity holders of the parent	(1,658)	(1,420)	(1,506)
Minority interests	28	(13)	11
	1,630	(1,433)	(1,495)

**Notes to the consolidated financial statements**

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**4. Significant events during the reporting period**

**4.1** During the reporting period the company has realized OIS shares in consideration of 326 thousand dollars. Following the realization, the company's holdings in OIS shares and voting rights decreased to 28.48%. The capital gain derived from the realization of the shares was 235 thousand dollars and is included in other income.

**4.2** At March 31 2011 the company received demands to convert the Convertible loans and accumulated interest. Since the company did not have the required amount of authorized shares the company called for a shareholders meeting that took place at August 4, 2011 and approved the required increase of the authorized shares. The actual conversion took place at August 5, 2011 due thereon were converted into 4,235,718 ordinary shares of the Company. at 5 August 2011, at a conversion price equal to the lower between (1) the Company's average share price on the Belgium EuroNext Stock Exchange during the 30 days prior the date of an agreement from August 2008 between certain majority shareholders and the company; and (2) the Company's average share price on the Belgium EuroNext Stock Exchange during the 30 days prior the Conversion, and in each case subject to a discount at the rate of 20% of the Company's average share price on the Belgium EuroNext Stock Exchange at the applicable dates. The Company has 12,720,590 ordinary shares as at August 5 2011.

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