



## Press Release

MediVision Medical Imaging Ltd.

☎ + (972) 4-989-4884

☎ + (972) 4-989-4883

✉ P.O. Box 45, Hermon Building, Industrial Park, Yokneam Elit 20692, Israel

📧 noam@medivision-ois.com

**FOR IMMEDIATE RELEASE**

### ***MediVision Presents Management's Report for the First Quarter of 2009***

Haifa, Israel, MediVision Medical Imaging Ltd. ("MediVision", EURO.NM: MEDV) released today (June 1, 2009) information concerning its operations and financial results for the period ended March 31, 2009. MediVision consolidated revenues for the three month ended March 31, 2009 aggregated to \$2,635,000 compared to revenues of \$3,601,000 for the comparable year of 2008, reflecting a decrease of 27%.

During the first quarter, the Company continued the implementation of downsizing plan that included among other layoff of employees and significant cut of expenses and overheads.

"Like many other companies we are facing global market recession which affects the entire industry and MediVision and OIS in particular; we have made changes in our group structure accordingly. MediVision is in the process of implementation of a plan that will bring its relative advantages into power. I believe that this plan will contribute in the long run to the Companies strength and market position. The company is still investing into research and development of few technologies that will eventually contribute to the company growth", said Noam Allon, CEO and President of MediVision.

#### **Highlights of the three months ended March 31, 2009**

***Termination of Merger Agreement with OIS*** – The Company and OIS have mutually agreed to terminate their merger agreement. The termination of the agreement is due to exorbitant costs the companies and associated shareholders would incur as a result of regulatory requirements. The companies initially announced the merger agreement in March 2008.

***Downsizing plan and Company status*** – During the forth quarter of 2008, the Company started the implementation of downsizing plan that will include among other layoff of employees and significant cut of expenses and overheads.

The Company's Board of Directors approved the plan which has been implemented during the first quarter of 2009. The Company is planning to focus its activity in the development of new Electro-optical products and therefore few MediVision employees will relocate to OIS headquarters in Sacramento, California as part of the reorganization of the R&D groups. Altogether, the Israeli company laid off 11 employees (about 45% of its employees). OIS established a new fully owned subsidiary, OIS Global Ltd ("OISG") which will gradually receive the activity of the Company and will focus mainly in R&D activity. On the first of March 2009 OISG started its operations which are software and electro-optical devices research and development.

In addition, management is evaluating alternative sources of capital to meet cash requirements, including issuance of debt, issuance of equity securities and entering into other financing agreements with its shareholders. According to management beliefs, if the Company is unable to obtain additional funding, it would be required to eliminate certain activities that would adversely effect its operations.

***Receipt of Convertible shareholder loan*** - during August 2008 in respect of the Term Sheet signed between certain majority shareholders (the "Shareholders"), in connection with a convertible loan provided by the Shareholders to the Company, the Shareholders granted the company an additional loan in the amount of \$400,000.

Subsequent to the balance sheet date, a new Convertible Loan Agreement was signed with the Shareholders at an aggregate amount of up to additional \$800,000. The loan agreement shall cover also the principal amount of the above mentioned \$400,000 provided to the Company during August 2008 and will apply the terms and conditions as detailed in the Convertible Loan Agreement. The loan shall bear interest at an annual rate of 12% and shall be repaid within 12 months from the date of the grant. Loan and any interest due thereon may be converted in a whole or in part into ordinary shares of the Company, 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 this agreement; 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. As security for the Company's obligation including repayments of the loan and any interest due thereon and the Conversion Rights, the Company shall grant to the shareholders a pledge in shares of common stock of OIS held by the Company subject to a discount at a rate of 30% of the price of OIS' shares, to be allocated among each Shareholder pro-rata to the portion of the Loan which he actually provides. During the period ended March 31, 2009 the Company received convertible loans in the amount of \$416,000..

**Restatement** - The Company restated its financial statements for the year ended December 31, 2008 and for the three month period ended March 31, 2008, in order to retroactively reflect the effect of changes in the accounting treatment of the following issues:

A. Cancellation of deferred tax assets recognized in the past, in the financial statements of a subsidiary operating in the United States and as a result in the consolidated financial statements of the Company in respect of tax losses not yet utilized by the subsidiary. The cancellation proved necessary since the subsidiary does not expect to have taxable income in the foreseeable future, against which such deferred taxes could be utilized.

B. Under the item entitled "other expenses", the Company expensed the costs involved in the change of its capital structure. Prior to this correction, the Company presented the aforementioned costs as a direct offset to the equity attributable to owners of the parent.

The impact of the restatement on the financial statements is as follows:

**1. Balance sheets**

| US dollars (in thousands) |                       |                                 |                      |
|---------------------------|-----------------------|---------------------------------|----------------------|
| December 31, 2008         |                       |                                 |                      |
|                           | Before<br>restatement | Effect<br>of the<br>restatement | After<br>restatement |
| Deferred tax assets       | 1,502                 | (1,502)                         | -                    |
| Accumulated deficit       | (6,454)               | (372)                           | (6,826)              |
| Minority interest         | 4,177                 | (1,130)                         | 3,047                |
| March 31, 2008            |                       |                                 |                      |
|                           | Before<br>restatement | Effect<br>of the<br>restatement | After<br>restatement |
| Accumulated deficit       | (4,580)               | 258                             | (4,322)              |
| Minority interest         | 4,594                 | (258)                           | 4,336                |

**2. Statements of loss**

| US dollars (in thousands)    |                       |                                 |                      |
|------------------------------|-----------------------|---------------------------------|----------------------|
| Year ended December 31, 2008 |                       |                                 |                      |
|                              | Before<br>restatement | Effect<br>of the<br>restatement | After<br>restatement |
| Other expenses               | -                     | (520)                           | (520)                |
| Income tax expense           | 161                   | (1,502)                         | (1,341)              |
| Loss for the period          | (2,600)               | (2,022)                         | (4,622)              |
| Period ended March 31, 2008  |                       |                                 |                      |
|                              | Before<br>restatement | Effect<br>of the<br>restatement | After<br>restatement |
| Other expenses               | -                     | (57)                            | (57)                 |
| Loss for the period          | (915)                 | (57)                            | (972)                |

**SUBSEQUENT EVENTS**

On May 3, 2009, OIS entered into a Confidential Settlement and Mutual Release Agreement (the "Settlement Agreement") by and between OIS, Steven Verdooner, OPKO Health, Inc. ("OPKO") and The Frost Group, LLC (collectively "Defendants"), relating to the case entitled Ophthalmic Imaging Systems v. Steven Verdooner, et al., Case No. 07AS02149 in the Superior Court of California for the County of

Sacramento. Mr. Verdooner was formerly the OIS president. Pursuant to the Settlement Agreement, OIS agreed to dismiss, with prejudice, the lawsuit between the OIS and the Defendants, whereby OIS alleged claims of breach of fiduciary duty, breach of implied contract, intentional interference with contractual relations, intentional interference with prospective economic advantage, violation of section 502 of the Penal Code of California, aiding and abetting breach of fiduciary duty, and aiding and abetting interference with contractual relations. OIS also agreed to release the Defendants from any claims that could have been brought in the foregoing lawsuit, whether known or unknown. The Defendants paid OIS US\$1,200,000 on May 13, 2009. OIS and the Defendants entered into the Settlement Agreement to avoid the expense and uncertainty of litigation and without making any admission of liability or concession of wrongdoing.

## Information in regards to the Financial Situation for the three month ending March 31, 2009

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

| (in thousands except per share data)                   | US dollars                            |                              |                              |
|--|---------------------------------------|------------------------------|------------------------------|
|  | Three month period ended<br>March 31, |                              | Year ended<br>December 31,   |
|  | 2009                                  | 2008                         | 2008                         |
|  | Unaudited                             |                              | Audited                      |
| Sales  | 2,635                                 | 3,601                        | 14,410                       |
| Cost of sales  | <u>1,216</u>                          | <u>1,775</u>                 | <u>6,630</u>                 |
| Gross profit   | <u>1,419</u>                          | <u>1,826</u>                 | <u>7,780</u>                 |
| <b>Operating expenses:</b>                             |                                       |                              |                              |
| Research and development expenses                      | 938                                   | 579                          | 2,859                        |
| Selling and marketing expenses                         | 1,013                                 | 1,197                        | 4,832                        |
| General and administrative expenses                    | 603                                   | 747                          | 2,319                        |
| Other expenses, net                                    | <u>201</u>                            | <u>57<sup>(*)</sup></u>      | <u>520<sup>(*)</sup></u>     |
| Total operating expenses                               | <u>2,755</u>                          | <u>2,580</u>                 | <u>10,530</u>                |
| Operating loss   | (1,336)                               | (754)                        | (2,750)                      |
| Financial income                                       | 51                                    | -                            | 73                           |
| Financial expenses                                     | <u>(149)</u>                          | <u>(205)</u>                 | <u>(604)</u>                 |
| Loss before taxes on income                            | (1,434)                               | (959)                        | (3,281)                      |
| Income tax expense                                     | <u>(1)</u>                            | <u>(13)</u>                  | <u>(1,341)<sup>(*)</sup></u> |
| Loss for the period                                    | (1,435)                               | (972) <sup>(*)</sup>         | (4,622) <sup>(*)</sup>       |
| <b>Other comprehensive loss:</b>                       |                                       |                              |                              |
| Exchange differences on translating foreign operations | <u>(56)</u>                           | <u>100</u>                   | <u>(103)</u>                 |
| Total comprehensive loss for the period                | <u>(1,491)</u>                        | <u>(872)<sup>(*)</sup></u>   | <u>(4,725)<sup>(*)</sup></u> |
| Attributable to:                                       |                                       |                              |                              |
| Owners of the parent                                   | (985)                                 | (751) <sup>(*)</sup>         | (3,399) <sup>(*)</sup>       |
| Minority interest                                      | <u>(506)</u>                          | <u>(121)<sup>(*)</sup></u>   | <u>(1,326)<sup>(*)</sup></u> |
|  | <u>(1,491)</u>                        | <u>(872)<sup>(*)</sup></u>   | <u>(4,725)<sup>(*)</sup></u> |
| Basic loss per share (in Dollars)                      | <u>(0.241)</u>                        | <u>(0.146)<sup>(*)</sup></u> | <u>(0.442)<sup>(*)</sup></u> |

## 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 March 31, 2009 aggregated to \$2,635,000 compared to sales of \$3,601,000 for the comparable quarter of 2008, reflecting a decrease of 27%. The decrease in revenues is due to a decrease of product sales of approximately \$1,063,000, offset by an increase in service revenue of approximately \$97,000.

**Gross Profit** - Gross profit for the quarter ended March 31, 2009 were \$1,419,000 or 54% of sales revenues, as compared with \$1,826,000 which were 51% 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 March 31, 2009 amounted to \$938,000 or 36% of Sales revenues.

**Selling and Marketing Expenses** - Total Selling and Marketing expenses for the quarter ended March 31, 2009 amounted \$1,013,000 which are 38% of total Sales revenues, as compared with \$1,197,000 which were 26% of total Sales revenues for the comparable year 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 March 31, 2009 were \$603,000 which are 23% of the total Sales, as compared to \$747,000, which were 21% of total Sales in the comparable quarter of 2008.

**Minority Interest** - Minority interest for the year ended March 31, 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.

## Balance Sheet Information

|                                      | US dollars (in thousands) |                   |                      |
|--------------------------------------|---------------------------|-------------------|----------------------|
|                                      | March 31,<br>2009         | March 31,<br>2008 | December 31,<br>2008 |
|                                      | Unaudited                 |                   | Audited              |
| <b>A S S E T S</b>                   |                           |                   |                      |
| <b>Current assets</b>                |                           |                   |                      |
| Cash and cash equivalents            | 1,642                     | 5,935             | 2,785                |
| Restricted cash                      | 158                       | 170               | 158                  |
| Accounts receivable:                 |                           |                   |                      |
| Trade, net                           | 2,107                     | 2,972             | 2,343                |
| Other accounts receivable            | 366                       | 791               | 428                  |
| Inventories                          | 1,387                     | 1,641             | 1,576                |
| Total current assets                 | <u>5,660</u>              | <u>11,509</u>     | <u>7,290</u>         |
| <b>Non-current assets</b>            |                           |                   |                      |
| Property and equipment, net          | 580                       | 581               | 600                  |
| Deferred tax assets                  | -                         | 1,238             | (*)                  |
| Goodwill and other intangible assets | <u>7,733</u>              | <u>6,928</u>      | <u>8,080</u>         |
| <b>Total assets</b>                  | <u>13,973</u>             | <u>20,256</u>     | <u>15,970</u>        |

## LIABILITIES AND EQUITY

### Current liabilities

|  |              |              |              |
|--|--------------|--------------|--------------|
| Short-term bank credit and other current liabilities | 4,179        | 3,192        | 3,664        |
| Trade payables                                       | 1,166        | 1,442        | 1,409        |
| Other accounts payable                               | 4,203        | 4,217        | 4,305        |
| Total current liabilities                            | <u>9,548</u> | <u>8,851</u> | <u>9,378</u> |

### Long-term liabilities

|  |            |              |              |
|--|------------|--------------|--------------|
| Long-term loans, net of current maturities | 360        | 2,345        | 1,034        |
| Long-term employee benefits                | 62         | 187          | 64           |
| Total long-term liabilities                | <u>422</u> | <u>2,532</u> | <u>1,098</u> |
| Total liabilities                          | 9,970      | 11,383       | 10,476       |

### Equity

#### Equity attributable to owners of the parent:

|  |                |                    |                    |
|--|----------------|--------------------|--------------------|
| Ordinary shares                          | 215            | 165                | 215                |
| Additional paid-in capital               | 9,302          | 8,794              | 9,302              |
| Capital reserve                          | (311)          | (311)              | (311)              |
| Foreign currency translation differences | 19             | 211                | 67                 |
| Accumulated deficit                      | <u>(7,763)</u> | <u>(4,322)</u> (*) | <u>(6,826)</u> (*) |
|  | 1,462          | 4,537 (*)          | 2,447 (*)          |
| <b>Minority interest</b>                 | <u>2,541</u>   | <u>4,336</u> (*)   | <u>3,047</u> (*)   |
| Total equity                             | <u>4,003</u>   | <u>8,873</u> (*)   | <u>5,494</u> (*)   |

#### Total liabilities and equity

|               |               |               |
|---------------|---------------|---------------|
| <u>13,973</u> | <u>20,256</u> | <u>15,970</u> |
|---------------|---------------|---------------|

**Long-term debt** - Long-term debt during the year ended March 31, 2009 decreased due to repayments of loans and higher allocation to current maturities. During the quarter ended March 31, 2009 the Company received convertible loans from shareholders in the amount of \$416,000.

**Total equity** - During the quarter ended March 31, 2009, total equity was decreased by \$1,491,000 reaching \$4,003,000 (Note 2C in the financial report regarding the restatement done in 2008 financial reports).

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**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 56% 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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For more information, please contact: **Noam Allon**

President, Chief Executive Officer  
 Tel. +972-4-9894884; Fax +972-4-9894883  
 E-mail: [noam@medivision-ois.com](mailto:noam@medivision-ois.com)