

CONSOLIDATED BALANCE SHEETS

NIS in thousands

| | December 31, | |
|---|---------------------|---------------|
| | 2010 | 2009 |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | 18,815 | 20,345 |
| Trade receivables | 614 | 352 |
| Other accounts receivable | 1,668 | 410 |
| Inventories | 4,211 | 2,380 |
| | <u>25,308</u> | <u>23,487</u> |
| NON-CURRENT ASSETS: | | |
| Long-term deposits | 160 | 203 |
| Restricted cash | 383 | 290 |
| Fixed assets | 1,053 | 1,741 |
| Other intangible assets | 17,243 | 17,494 |
| | <u>18,839</u> | <u>19,728</u> |
| | <u>44,147</u> | <u>43,215</u> |
| LIABILITIES AND EQUITY | | |
| CURRENT LIABILITIES: | | |
| Trade payables | 2,946 | 1,423 |
| Other accounts payable | 3,285 | 3,295 |
| Liabilities in respect of government grants | 454 | 555 |
| | <u>6,685</u> | <u>5,273</u> |
| LONG-TERM LIABILITIES: | | |
| Liabilities in respect of government grants | <u>14,684</u> | <u>16,267</u> |
| EQUITY: | | |
| Share capital | 1,098 | 811 |
| Additional paid-in capital | 113,679 | 91,252 |
| Share-based payment | 10,477 | 10,003 |
| Capital reserve in respect of controlling shareholder transaction | 4,358 | 4,358 |
| Accumulated deficit | (106,834) | (84,749) |
| | <u>22,778</u> | <u>21,675</u> |
| | <u>44,147</u> | <u>43,215</u> |

CONSOLIDATED STATEMENTS OF OPERATIONS

NIS in thousands, except share and per share data

| | Year ended December 31, | |
|-------------------------------------|----------------------------|----------|
| | 2010 | 2009 |
| Revenues from sales | 2,441 | 1,165 |
| Cost of revenues | 2,231 | 839 |
| Gross profit | 210 | 326 |
| Research and development expenses | 8,398 | 15,025 |
| Marketing and marketing expenses | 9,501 | 4,257 |
| General and administrative expenses | 6,181 | 4,996 |
| Operating loss | (23,870) | (23,952) |
| Financial income | 2,073 | 316 |
| Financial expenses | (288) | (1,726) |
| Net financial income | 1,785 | (1,410) |
| Loss before taxes on income | (22,085) | (25,362) |
| Taxes on income | - | 6 |
| Net loss | (22,085) | (25,368) |
| Total comprehensive loss | (22,085) | (25,368) |
| Basic net loss per share | (0.21) | (0.23) |
| Diluted loss per share | (0.21) | (0.23) |

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

NIS in thousands, except share and per share data

| | Share capital | Additional paid-in capital | Share-based payment | Capital reserve in respect of controlling shareholder transaction | Accumulated deficit | Total |
|--|------------------|----------------------------|---------------------|---|---------------------|----------|
| | NIS in thousands | | | | | |
| Balance at January 1, 2008 | 252 | 66,797 | 5,242 | 4,358 | (64,536) | 12,113 |
| Total comprehensive income | - | - | - | - | 5,155 | 5,155 |
| Issuance of share capital (net of issuance expenses) | 4 | 1,425 | - | - | - | 1,429 |
| Cost of share-based payment | - | - | 3,486 | - | - | 3,486 |
| Exercise of options | *) - | 614 | (584) | - | - | 30 |
| Balance at December 31, 2008 | 256 | 68,836 | 8,144 | 4,358 | (59,381) | 22,213 |
| Total comprehensive loss | - | - | - | - | (25,368) | (25,368) |
| Receipts on account of shares | - | 390 | - | - | - | 390 |
| Issuance of rights, net | 553 | 21,333 | - | - | - | 21,886 |
| Cost of share based payment | - | - | 2,511 | - | - | 2,511 |
| Exercise of options | 2 | 693 | (652) | - | - | 43 |
| Balance at December 31, 2009 | 811 | 91,252 | 10,003 | 4,358 | (84,749) | 21,675 |
| Total comprehensive loss | - | - | - | - | (22,085) | (22,085) |
| Issuance of rights, net | 285 | 20,915 | - | - | - | 21,200 |
| Cost of share based payment | - | - | 1,915 | - | - | 1,915 |
| Exercise of options | 2 | 1,512 | (1,441) | - | - | 73 |
| Balance at December 31, 2010 | 1,098 | 113,679 | 10,477 | 4,358 | (106,834) | 22,778 |

*) Represents an amount lower than NIS 1 thousand.

CONSOLIDATED STATEMENTS OF CASH FLOWS**NIS in thousands**

| | Year ended December 31, | |
|--|--------------------------------|-----------------|
| | 2010 | 2009 |
| | NIS in thousands | |
| <u>Cash flows from operating activities:</u> | | |
| Net loss | (22,085) | (25,368) |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: | | |
| Adjustments to the profit or loss items: | | |
| Depreciation and amortization | 764 | 532 |
| Cost of share-based payment | 1,915 | 2,511 |
| Taxes on income | - | 6 |
| Finance costs (income), net | (1,785) | 1,410 |
| | <u>894</u> | <u>4,459</u> |
| Changes in asset and liability items: | | |
| Decrease (increase) in trade receivables | (329) | 25 |
| Decrease (increase) in other accounts receivable | (1,258) | 1,400 |
| Decrease (increase) in inventories | (1,075) | 97 |
| Increase (decrease) in trade payables | 1,564 | (260) |
| Increase (decrease) in other accounts payable | (10) | 681 |
| | <u>(1,108)</u> | <u>1,943</u> |
| Cash paid and received during the year for: | | |
| Interest paid | (37) | (47) |
| Interest received | 277 | 181 |
| | <u>240</u> | <u>134</u> |
| Net cash used in operating activities | <u>(22,059)</u> | <u>(18,832)</u> |

CONSOLIDATED STATEMENTS OF CASH FLOWS

NIS in thousands

| | Year ended December 31, | |
|---|----------------------------|----------------------|
| | 2010 | 2009 |
| | NIS in thousands | |
| <u>Cash flows from investing activities:</u> | | |
| Purchase of fixed and intangible assets | (582) | (638) |
| Proceeds from sale of fixed assets | 6 | - |
| Restricted cash | (93) | 29 |
| Depositing long-term deposits, net | 43 | (2) |
| Net cash used in investing activities | <u>(626)</u> | <u>(611)</u> |
| <u>Cash flows from financing activities:</u> | | |
| Issuance of rights, net | 21,200 | 21,886 |
| Receipt of government grants | 114 | 598 |
| Exercise of options | 73 | 43 |
| Net cash provided by financing activities | <u>21,387</u> | <u>22,917</u> |
| Exchange differences on balances of cash and cash equivalents | <u>(232)</u> | <u>(736)</u> |
| Increase (decrease) in cash and cash equivalents | (1,530) | 2,738 |
| Cash and cash equivalents at the beginning of the year | <u>20,345</u> | <u>17,607</u> |
| Cash and cash equivalents at the end of the year | <u><u>18,815</u></u> | <u><u>20,345</u></u> |