

CONSOLIDATED BALANCE SHEETS

	June 30,		December 31,
	2010	2009	2009
	Unaudited		Audited
	NIS in thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	30,922	18,689	20,345
Short-term deposits	-	11,348	-
Trade receivables	341	423	352
Other accounts receivable	841	641	410
Inventories	3,008	2,530	2,380
	<u>35,112</u>	<u>33,631</u>	<u>23,487</u>
NON-CURRENT ASSETS:			
Deposits	135	196	203
Restricted cash	311	324	290
Fixed assets	1,934	1,678	1,741
Intangible assets	17,426	17,550	17,494
	<u>19,806</u>	<u>19,748</u>	<u>19,728</u>
	<u>54,918</u>	<u>53,379</u>	<u>43,215</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Trade payables	1,016	2,006	1,423
Other accounts payable	2,862	2,602	3,295
Liabilities for Government grants	123	364	555
	<u>4,001</u>	<u>4,972</u>	<u>5,273</u>
NON-CURRENT LIABILITIES:			
Liabilities for Government grants	<u>17,495</u>	<u>16,818</u>	<u>16,267</u>
EQUITY:			
Share capital	1,094	811	811
Share premium	112,612	91,252	91,252
Reserve from share-based payment transactions	10,589	8,908	10,003
Capital reserve for transaction with controlling shareholder	4,358	4,358	4,358
Accumulated deficit	(95,231)	(73,740)	(84,749)
	<u>33,422</u>	<u>31,589</u>	<u>21,675</u>
	<u>54,918</u>	<u>53,379</u>	<u>43,215</u>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2010	2009	2010	2009	2009
	Unaudited				Audited
	NIS in thousands (except per share data)				
Revenues from sales	781	628	558	466	1,165
Cost of revenues	691	380	475	285	839
Gross profit	90	248	83	181	326
Research and development expenses	3,177	8,663	1,425	4,599	15,025
Selling and marketing expenses	3,953	1,863	2,226	886	4,257
General and administrative expenses	2,960	2,412	1,629	1,228	4,996
Operating loss	(10,000)	(12,690)	(5,197)	(6,532)	(23,952)
Finance income	406	1,250	190	482	316
Finance costs	(888)	(2,917)	(692)	(1,128)	(1,726)
Loss before taxes on income	(10,482)	(14,357)	(5,699)	(7,178)	(25,362)
Taxes on income	-	2	-	1	6
Loss	(10,482)	(14,359)	(5,699)	(7,179)	(25,368)
Total comprehensive loss	(10,482)	(14,359)	(5,699)	(7,179)	(25,368)
Basic loss per share (NIS)	(0.11)	(0.18)	(0.05)	(0.09)	(0.21)
Diluted loss per share (NIS)	(0.11)	(0.18)	(0.05)	(0.09)	(0.21)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Reserve from share-based payment transactions	Capital reserve for transaction with controlling shareholder	Accumulated deficit	Total equity
Unaudited						
NIS in thousands						
Balance at January 1, 2010 (audited)	811	91,252	10,003	4,358	(84,749)	21,675
Total comprehensive loss	-	-	-	-	(10,482)	(10,482)
Issuance of rights, net	283	20,917	-	-	-	21,200
Cost of share-based payment	-	-	994	-	-	994
Exercise of share options	*) -	443	(408)	-	-	35
Balance at June 30, 2010	<u>1,094</u>	<u>112,612</u>	<u>10,589</u>	<u>4,358</u>	<u>(95,231)</u>	<u>33,422</u>

	Share capital	Share premium	Reserve from share-based payment transactions	Capital reserve for transaction with controlling shareholder	Accumulated deficit	Total equity
Unaudited						
NIS in thousands						
Balance at January 1, 2009 (audited)	256	68,836	8,144	4,358	(59,381)	22,213
Total comprehensive loss	-	-	-	-	(14,359)	(14,359)
Receipts on account of shares	-	390	-	-	-	390
Issuance of rights, net	553	21,333	-	-	-	21,886
Cost of share-based payment	-	-	1,416	-	-	1,416
Exercise of share options	2	693	(652)	-	-	43
Balance at June 30, 2009	<u>811</u>	<u>91,252</u>	<u>8,908</u>	<u>4,358</u>	<u>(73,740)</u>	<u>31,589</u>

*) Represents less than NIS 1 thousand.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Reserve from share-based payment transactions	Capital reserve for transaction with controlling shareholder	Accumulated deficit	Total equity
Unaudited						
NIS in thousands						
Balance at April 1, 2010	1,094	112,264	10,431	4,358	(89,532)	38,615
Total comprehensive loss	-	-	-	-	(5,699)	(5,699)
Raising costs relating to issuance of rights	-	(78)	-	-	-	(78)
Cost of share-based payment	-	-	566	-	-	566
Exercise of share options	*) -	426	(408)	-	-	18
Balance at June 30, 2010	<u>1,094</u>	<u>112,612</u>	<u>10,589</u>	<u>4,358</u>	<u>(95,231)</u>	<u>33,422</u>
	Share capital	Share premium	Reserve from share-based payment transactions	Capital reserve for transaction with controlling shareholder	Accumulated deficit	Total equity
Unaudited						
NIS in thousands						
Balance at April 1, 2009	258	69,919	8,155	4,358	(66,561)	16,129
Total comprehensive loss	-	-	-	-	(7,179)	(7,179)
Issuance of rights, net	553	21,333	-	-	-	21,886
Cost of share-based payment	-	-	753	-	-	753
Balance at June 30, 2009	<u>811</u>	<u>91,252</u>	<u>8,908</u>	<u>4,358</u>	<u>(73,740)</u>	<u>31,589</u>
	Share capital	Share premium	Reserve from share-based payment transactions	Capital reserve for transaction with controlling shareholder	Accumulated deficit	Total equity
Audited						
NIS in thousands						
Balance at January 1, 2009	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 share options	2	693	(652)	-	-	43
Balance at December 31, 2009	<u>811</u>	<u>91,252</u>	<u>10,003</u>	<u>4,358</u>	<u>(84,749)</u>	<u>21,675</u>

*) Represents less than NIS 1 thousand.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2010	2009	2010	2009	2009
	Unaudited				Audited
	NIS in thousands				
<u>Cash flows from operating activities:</u>					
Loss	(10,482)	(14,359)	(5,699)	(7,179)	(25,368)
Adjustments to reconcile loss to net cash used in operating activities:					
Adjustments to the profit or loss items:					
Revaluation of Government grants	-	(605)	-	(605)	-
Depreciation and amortization	352	249	210	134	532
Cost of share-based payment	994	1,416	566	753	2,511
Taxes on income	-	2	-	1	6
Finance costs, net	482	1,667	502	646	1,410
	1,828	2,729	1,278	929	4,459
Changes in asset and liability items:					
Decrease (increase) in trade receivables	77	(39)	(112)	62	25
Decrease (increase) in other accounts receivable	(390)	1,169	176	927	1,400
Decrease (increase) in inventories	(572)	(53)	(650)	131	97
Increase (decrease) in trade payables	(410)	316	129	384	(260)
Increase (decrease) in other accounts payable	(433)	(8)	539	294	681
	(1,728)	1,385	82	1,798	1,943
Cash paid and received during the period for:					
Interest paid	(15)	(19)	(7)	(13)	(47)
Interest received	124	56	85	11	181
	109	37	78	(2)	134
Net cash used in operating activities	(10,273)	(10,208)	(4,261)	(4,454)	(18,832)
<u>Cash flows from investing activities:</u>					
Investment in short-term deposits	-	(11,348)	-	(11,348)	-
Purchase of fixed assets and intangible assets	(534)	(348)	(146)	(224)	(638)
Restricted cash	(21)	-	-	-	29
Long-term deposits, net	26	6	15	1	(2)
Net cash used in investing activities	(529)	(11,690)	(131)	(11,571)	(611)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2010	2009	2010	2009	2009
	Unaudited				Audited
	NIS in thousands				
<u>Cash flows from financing activities:</u>					
Issuance of rights, net	21,200	21,886	(78)	21,886	21,886
Receipt of Government grants	160	874	160	874	598
Receipts on account of shares	-	390	-	-	390
Exercise of share options	35	43	18	-	43
Net cash provided by financing activities	21,395	23,193	100	22,760	22,917
Exchange differences on balances of cash and cash equivalents	(16)	(213)	174	(910)	(736)
Increase (decrease) in cash and cash equivalents	10,577	1,082	(4,118)	5,825	2,738
Cash and cash equivalents at the beginning of the period	20,345	17,607	35,040	12,864	17,607
Cash and cash equivalents at the end of the period	30,922	18,689	30,922	18,689	20,345
