

**CONSOLIDATED BALANCE SHEETS**

	<u>September 30,</u>		<u>December 31,</u>
	<u>2010</u>	<u>2009</u>	<u>2009</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>NIS in thousands</u>		
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	24,833	13,077	20,345
Short-term deposits	-	10,923	-
Trade receivables	547	260	352
Other accounts receivable	1,170	1,093	410
Inventories	3,095	2,570	2,380
	<u>29,645</u>	<u>27,923</u>	<u>23,487</u>
<b>NON-CURRENT ASSETS:</b>			
Deposits	70	196	203
Restricted cash	384	329	290
Fixed assets	2,055	1,729	1,741
Intangible assets	17,359	17,526	17,494
	<u>19,868</u>	<u>19,780</u>	<u>19,728</u>
	<u>49,513</u>	<u>47,703</u>	<u>43,215</u>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Trade payables	1,189	1,799	1,423
Other accounts payable	3,070	2,316	3,295
Liabilities for Government grants	878	526	555
	<u>5,137</u>	<u>4,641</u>	<u>5,273</u>
<b>NON-CURRENT LIABILITIES:</b>			
Liabilities for Government grants	<u>16,150</u>	<u>16,182</u>	<u>16,267</u>
<b>EQUITY:</b>			
Share capital	1,094	811	811
Share premium	112,681	91,252	91,252
Reserve for share-based payment transactions	11,043	9,470	10,003
Capital reserve for transaction with controlling shareholder	4,358	4,358	4,358
Accumulated deficit	(100,950)	(79,011)	(84,749)
	<u>28,226</u>	<u>26,880</u>	<u>21,675</u>
	<u>49,513</u>	<u>47,703</u>	<u>43,215</u>

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2010	2009	2010	2009	2009
	Unaudited				Audited
	NIS in thousands (except per share data)				
Revenues from sales	1,484	858	703	230	1,165
Cost of revenues	1,347	546	656	166	839
Gross profit	137	312	47	64	326
Research and development expenses	5,261	11,792	2,084	3,129	15,025
Selling and marketing expenses	6,438	2,769	2,485	906	4,257
General and administrative expenses	4,574	3,684	1,614	1,272	4,996
Operating loss	(16,136)	(17,933)	(6,136)	(5,243)	(23,952)
Finance income	207	1,750	736	500	316
Finance costs	(272)	(3,444)	(319)	(527)	(1,726)
Loss before taxes on income	(16,201)	(19,627)	(5,719)	(5,270)	(25,362)
Taxes on income	-	3	-	1	6
Loss	(16,201)	(19,630)	(5,719)	(5,271)	(25,368)
Basic and diluted loss per share (in NIS)	(0.16)	(0.14)	(0.05)	(0.06)	(0.21)

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Share capital	Share premium	Reserve for 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	-	-	-	-	(16,201)	(16,201)
Issuance of rights, net	283	20,917	-	-	-	21,200
Cost of share-based payment	-	-	1,490	-	-	1,490
Exercise of share options	*) -	512	(450)	-	-	62
Balance at September 30, 2010	<u>1,094</u>	<u>112,681</u>	<u>11,043</u>	<u>4,358</u>	<u>(100,950)</u>	<u>28,226</u>

	Share capital	Share premium	Reserve for 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	-	-	-	-	(19,630)	(19,630)
Receipts on account of shares	-	390	-	-	-	390
Issuance of rights, net	553	21,333	-	-	-	21,886
Cost of share-based payment	-	-	1,978	-	-	1,978
Exercise of share options	2	693	(652)	-	-	43
Balance at September 30, 2009	<u>811</u>	<u>91,252</u>	<u>9,470</u>	<u>4,358</u>	<u>(79,011)</u>	<u>26,880</u>

\*) Represents less than NIS 1 thousand.

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	<u>Share capital</u>	<u>Share premium</u>	<u>Reserve for share-based payment transactions</u>	<u>Capital reserve for transaction with controlling shareholder</u>	<u>Accumulated deficit</u>	<u>Total equity</u>
<b>Unaudited</b>						
<b>NIS in thousands</b>						
Balance at July 1, 2010	1,094	112,612	10,589	4,358	(95,231)	33,422
Total comprehensive loss	-	-	-	-	(5,719)	(5,719)
Cost of share-based payment	-	-	496	-	-	496
Exercise of share options	*) -	69	(42)	-	-	27
Balance at September 30, 2010	<u>1,094</u>	<u>112,681</u>	<u>11,043</u>	<u>4,358</u>	<u>(100,950)</u>	<u>28,226</u>
	<u>Share capital</u>	<u>Share premium</u>	<u>Reserve for share-based payment transactions</u>	<u>Capital reserve for transaction with controlling shareholder</u>	<u>Accumulated deficit</u>	<u>Total equity</u>
<b>Unaudited</b>						
<b>NIS in thousands</b>						
Balance at July 1, 2009	811	91,252	8,908	4,358	(73,740)	31,589
Total comprehensive loss	-	-	-	-	(5,271)	(5,271)
Cost of share-based payment	-	-	562	-	-	562
Balance at September 30, 2009	<u>811</u>	<u>91,252</u>	<u>9,470</u>	<u>4,358</u>	<u>(79,011)</u>	<u>26,880</u>
	<u>Share capital</u>	<u>Share premium</u>	<u>Reserve for share-based payment transactions</u>	<u>Capital reserve for transaction with controlling shareholder</u>	<u>Accumulated deficit</u>	<u>Total equity</u>
<b>Audited</b>						
<b>NIS in thousands</b>						
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**

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2010	2009	2010	2009	2009
	Unaudited				Audited
	NIS in thousands				
<u>Cash flows from operating activities:</u>					
Loss	(16,201)	(19,630)	(5,719)	(5,271)	(25,368)
Adjustments to reconcile loss to net cash used in operating activities:					
Adjustments to the profit or loss items:					
Depreciation and amortization	601	384	249	135	532
Cost of share-based payment	1,490	1,978	496	562	2,511
Taxes on income	-	3	-	1	6
Finance costs (income), net	65	1,694	(417)	27	1,410
	2,156	4,059	328	725	4,459
Changes in asset and liability items:					
Decrease (increase) in trade receivables	(273)	126	(350)	165	25
Decrease (increase) in other accounts receivable	(712)	717	(322)	(452)	1,400
Decrease (increase) in inventories	(604)	(93)	(32)	(40)	97
Increase (decrease) in trade payables	(268)	113	142	(203)	(260)
Increase (decrease) in other accounts payable	(225)	(323)	208	(314)	681
	(2,082)	540	(354)	(844)	1,943
Cash paid and received during the period for:					
Interest paid	(29)	(35)	(14)	(16)	(47)
Interest received	207	142	83	86	181
	178	107	69	70	134
Net cash used in operating activities	(15,949)	(14,924)	(5,676)	(5,320)	(18,832)
<u>Cash flows from investing activities:</u>					
Short-term deposits	-	(10,923)	-	425	-
Purchase of fixed assets and intangible assets	(891)	(511)	(357)	(163)	(638)
Restricted cash	(94)	(10)	(73)	(10)	29
Long-term deposits	85	5	59	(1)	(2)
Net cash provided by (used in) investing activities	(900)	(11,439)	(371)	251	(611)

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Nine months ended</b>		<b>Three months ended</b>		<b>Year ended</b>
	<b>September 30,</b>		<b>September 30,</b>		<b>December 31,</b>
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>Unaudited</b>				<b>Audited</b>
	<b>NIS in thousands</b>				
<u>Cash flows from financing activities:</u>					
Issuance of rights, net	21,200	21,886	-	-	21,886
Receipt of Government grants	224	269	64	-	598
Receipts on account of shares	-	390	-	-	390
Exercise of share options	62	43	27	-	43
Net cash provided by financing activities	21,486	22,588	91	-	22,917
Exchange differences on balances of cash and cash equivalents	(149)	(755)	(133)	(543)	(736)
Increase (decrease) in cash and cash equivalents	4,488	(4,530)	(6,089)	(5,612)	2,738
Cash and cash equivalents at the beginning of the period	20,345	17,607	30,922	18,689	17,607
Cash and cash equivalents at the end of the period	24,833	13,077	24,833	13,077	20,345

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