WIZCOM
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WizCom Technologies Ltd. gibt Ergebnisse für das Geschäftsjahr 2002 bekannt: Kontinuierliche Verbesserung von Finanzlage und Umsatz

Jerusalem, 20. März 2003 – WizCom Technologies Ltd. (WizCom) (Prime Standard WZM, WKN 915856) gibt Ergebnisse des vierten Quartals 2002 und des Geschäftsjahres 2002 bekannt. Das Unternehmen meldet eine kontinuierliche Verbesserung des Umsatzes im Laufe des Geschäftsjahres, eine deutliche Verringerung des operativen Verlustes und des Jahresfehlbetrages sowie eine signifikante Erhöhung des Cash-Flows aus der laufenden Geschäftstätigkeit. „Das Ergebnis bestätigt die strategischen Maßnahmen, die WizCom 2002 ergriffen hat", führt Amit Ben-Zvi, CEO von WizCom aus. „Wir konzentrieren uns darauf, unsere Kerntechnologien zu verbessern und gleichzeitig unsere wachsende Produktpalette erfolgreich zu vertreiben."

Kennzahlen für das Geschäftsjahr 2002

- Der Umsatz verbesserte sich im Laufe des Geschäftsjahres kontinuierlich. Insgesamt ergab sich aber ein aus der Sicht des Unternehmens vorübergehender Umsatzrückgang von 7,6 Mio. USD auf 6,6 Mio. USD (-13 Prozent).

- Die Bruttomarge verbesserte sich von 35 Prozent im Vorjahr auf jetzt 42 Prozent.

- Der operative Verlust konnte im Geschäftsjahr 2002 um 85 Prozent von 5,3 Mio. USD auf 0,8 Mio. USD gesenkt werden.

- Der Jahresfehlbetrag fiel um 76 Prozent von 5,5 Mio. USD auf 1,3 Mio. USD.

- Der Verlust pro Aktie lag 2002 nur noch bei 0,12 USD (2001: 0,48 USD).

- Zum 31. Dezember 2002 beliefen sich die Liquidität auf 2,5 Mio. USD (31.12.2001: 2 Mio. USD), die Bilanzsumme auf 9,4 Mio. USD (31.12.2001: 10,9 Mio. USD) und das Eigenkapital auf 7,9 Mio. USD (31.12.2001: 9,1 Mio. USD).

- Der Cash-Flow aus der laufenden Geschäftstätigkeit erhöhte sich 2002 signifikant. Nach einem Mittelabfluss von 0,3 Mio. USD ergab sich im abgelaufenen Geschäftsjahr ein Mittelzufluss von 1 Mio. USD.

„Die Ergebnisse sind ein eindeutiger Hinweis darauf, dass die durchgeführten Veränderungen zur Stabilisierung beigetragen haben", sagt Raz Itzhaki, CFO von WizCom. „Auf dieser Grundlage wird WizCom jetzt ihren Geschäftsplan weiter umsetzen."

Im vierten Quartal 2002 ging der Fehlbetrag um 45 Prozent auf 0,5 Mio. USD zurück (Q4 2001: 0,9 Mio. USD). Der operative Verlust sank gegenüber dem Vergleichsquartal des Vorjahres (0,7 Mio. USD) um 34 Prozent auf 0,5 Mio. USD. Der Quartalsverlust pro Aktie war ebenfalls deutlich rückläufig und lag nur noch bei 0,04 USD (im Vergleich zu 0,08 USD im 4. Quartal 2001). Die Umsatzerlöse betrugen nach 2,5 Mio. USD im 4. Quartal 2001 1,9 Mio. USD (-26 Prozent), stiegen aber über das Jahr 2002 gesehen kontinuierlich.

Detaillierte Kennzahlen:

Umsatzerlöse nach Regionen gegliedert

Nachfolgend sind die Umsatzerlöse für den Zeitraum bis zum 31. Dezember 2002, 31. Dezember 2001 und das Jahr 2002 nach Regionen gegliedert in Prozent aufgeführt.

In Prozent

Region \ Zeitraum	*Q4/2002*	*Q4/2001*	*2002*
Europa	15	12	13
Naher/Mittlerer Osten (vorwiegend Israel)	13	11	17
Ferner Osten und Pazifik	19	21	22
Restliche Welt	-	1	2
Nordamerika	53	55	46
Gesamt	100	100	100

Betriebskosten

Die Betriebskosten von WizCom konnten 2002 beträchtlich gesenkt werden. Ursächlich für den Kostenrückgang war eine deutlich verbesserte Produktivität in allen Bereichen des Unternehmens. Forschung und Entwicklung wurden neu fokussiert, der Vertrieb wurde auf vom Markt nachgefragte Projekte und Aktivitäten konzentriert und die allgemeinen Verwaltungskosten verringert.

Liquidität und Eigenkapital

Im Geschäftsjahr 2002 konnte aus der laufenden Geschäftstätigkeit ein positiver Cash-Flow von 1 Mio. USD erwirtschaftet werden. Die Liquidität bei Banken und Kreditinstituten stieg auf 2,5 Mio. USD. Das Eigenkapital lag zum Ende des Geschäftsjahres bei 7,9 Mio. USD, so dass sich eine Eigenkapitalquote von 83 Prozent ergab. Das Betriebskapital betrug am 31. Dezember 2002 5,9 Mio. USD.

Wichtige Produktentwicklungen

2002 hat WizCom eine Reihe neuer Produktkategorien eingeführt, die sich auf die Kerntechnologien des Unternehmens stützen. Der **SuperPen** mit den Funktionen des QuickLink Pen und des Quicktionary II wurde ursprünglich für eine spezielle AOL-Werbeaktion im November 2001 entwickelt. Seitdem ist eine vollständige Produktpalette in verschiedenen Varianten auf der ganzen Welt herausgebracht worden.

Der niederländische **ReadingPen**, der auf dem erfolgreichen englischen Produkt für Anwender mit Lesestörungen basiert, ist auf dem niederländischen Markt sehr gut angekommen. WizCom prüft derzeit die Möglichkeit, dieses Produkt in weiteren Sprachen auf den Markt zu bringen.

Im Jahr 2002 investierte WizCom über ihre 100-prozentige Tochtergesellschaft Nextec Technologies 2001 Ltd. Nextec, Entwickler der revolutionären Wizprobe und Hawk Produktfamilien, ist ein führender Hersteller von kontaktlosen 3D-Inspektions-Technologien, Produkten und integrierten Lösungen. Die Nextec-Produkte zielen auf digitalisierende Anwendungen und benutzerfreundliche Steuerungssysteme.

Geschäftsaussichten

Für das Management von WizCom gehören die Festigung der eigenen Position in bestehenden Märkten und der Ausbau der Vertriebsinfrastruktur zu seinen wichtigsten kurzfristigen Zielen. Das Vertriebsteam wird sich weiterhin auf die Verbesserung der Vertriebskanäle und die Erkundung neuer Absatzmöglichkeiten in Zielmärkten, die von Pen-Produkten profitieren, konzentrieren.

Der Geschäftsbericht für das Jahr 2002 kann auf der Internetpräsenz von Wizcom unter www.wizcomtech.com heruntergeladen werden.

Über WizCom:

WizCom Technologies Ltd. ist ein weltweit führender Anbieter von Hand-Scan-Geräten und Übersetzungsprodukten. Das Produktportfolio des Unternehmens basiert auf der einzigartigen Einheit von linguistischen Kenntnissen sowie Hardware- und Softwareexpertise, inklusive Bildübernahme und –verarbeitung, die im Laufe des achtjährigen Bestehens des Unternehmens für die Entwicklung von einzigartigen Anwendungen für tragbare Geräte eingesetzt wurden. Das Produktspektrum reicht von linguistischen Lesegeräten, Produkte für Anwender mit Lernschwäche sowie einem Produkt für die Sammlung von persönlichen Daten für PC und Mobilfunk. Bis heute wurden über eine Million WizCom-Produkte verkauft.

Nextec Technologies 2001 Ltd. – neu hinzugekommen zur WizCom Gruppe – ist auf hochpräzises, kontaktloses Scannen, Digitalisieren und die Inspektion von Qualitätskontroll- und Reverse Engineering-Anwendungen spezialisiert. Ziel des Unternehmens ist es, ein bedeutender Anbieter von kontaktlosen 3D-Inspektions-Technologien, Produkten und integrierten Lösungen für verschiedene OEM-Kunden und Endabnehmer zu werden. Weitere Informationen finden Sie unter www.nextec-wiz.com.

<u>Ansprechpartner für die Presse:</u>

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WIZCOM TECHNOLOGIES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2002

WIZCOM TECHNOLOGIES LTD.

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2002

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REPORT OF INDEPENDENT AUDITORS

To the shareholders of
WIZCOM TECHNOLOGIES LTD.

We have audited the accompanying consolidated balance sheet of Wizcom Technologies Ltd. (the Company) and its subsidiaries as of December 31, 2002, and the related consolidated statements of operations, shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and in Israel, including those prescribed under the Auditors' Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2002, and the consolidated results of their operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

LUBOSHITZ KASIERER
An Affiliate Member of Ernst & Young International

Jerusalem, Israel
March 16, 2003

This is a copy of the previously issued Independent Accountant's report of Arthur Andersen. The report has not been reissued by Arthur Andersen.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO THE SHAREHOLDERS OF
WIZCOM TECHNOLOGIES LTD.

We have audited the accompanying consolidated balance sheets of Wizcom Technologies Ltd. and subsidiaries (the Company) as of December 31, 2000 and 2001, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and in Israel, including those prescribed under the Auditors' Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2000 and 2001, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

LUBOSHITZ KASIERER
Arthur Andersen

Jerusalem, Israel
March 24, 2002

WIZCOM TECHNOLOGIES LTD.

CONSOLIDATED BALANCE SHEETS

In thousands of U.S. dollars (except share and per share data)

	Note	December 31 2002	December 31 2001
CURRENT ASSETS			
Cash and cash equivalents		2,444	1,971
Deposit in bank - restricted	(3)	76	-
Trade receivables (net of allowance for doubtful accounts of $1,093 and $1,028 as of December 31, 2002 and 2001, respectively)		883	1,723
Other accounts receivable and prepaid expenses	(4)	263	254
Inventories	(5)	3,426	4,391
Total current assets		7,092	8,339
SEVERANCE PAY DEPOSITS		256	327
PROPERTY AND EQUIPMENT, NET	(6)	537	1,118
OTHER ASSETS, NET			
Goodwill	(7)	887	887
Other intangibles	(8)	651	114
Investments		-	152
Total other assets, net		1,538	1,153
		9,423	10,937
CURRENT LIABILITIES			
Trade payables		810	616
Accrued expenses and other liabilities	(9)	378	736
Total current liabilities		1,188	1,352
SEVERANCE PAY OBLIGATION		379	453
COMMITMENTS AND CONTINGENCIES	(10)		
SHAREHOLDERS' EQUITY	(11) (12)		
Ordinary shares of NIS 0.01 par value - 39,448,000 shares Authorized; 11,906,390 and 11,315,171 shares issued and outstanding as of December 31, 2002 and 2001, respectively		18	17
Warrant		26	-
Additional paid-in capital		42,538	42,493
Accumulated deficit		(34,726)	(33,378)
Total shareholders' equity		7,856	9,132
		9,423	10,937

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EREZ MELTZER	**AMIT BEN ZVI**	**RAZ ITZHAKI**
Chairman of the Board of Directors	Chief Executive Officer	Executive V.P. and Chief Financial Officer

Date of approval of financial statements:
March 16, 2003

The accompanying notes form an integral part of these consolidated financial statements.

WIZCOM TECHNOLOGIES LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS

In thousands of U.S. dollars (except share and per share data)

		Year ended December 31		
	Note	2002	2001	2000
Sales		6,572	7,568	14,903
Cost of sales	(13A)	3,783	4,927	11,550
Gross profit		2,789	2,641	3,353
Operating expenses:				
Research and development		616	2,205	3,108
Selling and marketing		1,605	3,569	6,229
General and administrative		1,384	2,175	2,854
Other expenses		267	-	-
Total operating expenses		3,872	7,949	12,191
Operating loss		(1,083)	(5,308)	(8,838)
Financing income (expenses), net	(13B)	(1)	11	376
Other income (expenses), net		(264)	(162)	-
Net loss		(1,348)	(5,459)	(8,462)
Net loss per Ordinary share- basic and diluted		(0.12)	(0.48)	(0.75)
Weighted average number of Ordinary shares used in computing per share amounts - basic and diluted		11,610,781	11,315,171	11,315,171

The accompanying notes form an integral part of these consolidated financial statements.

WIZCOM TECHNOLOGIES LTD.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

In thousands of U.S. dollars (except share data)

	Number of Ordinary shares	Share capital	Additional capital paid- in	Warrant	Accumulated deficit	Total
Balance as of January 1, 2000	11,315,171	17	42,493	-	(19,457)	23,053
Net loss	-	-	-	-	(8,462)	(8,462)
Balance as of December 31, 2000	11,315,171	17	42,493	-	(27,919)	14,591
Net loss	-	-	-	-	(5,459)	(5,459)
Balance as of December 31, 2001	11,315,171	17	42,493	-	(33,378)	9,132
Issuance of shares, net of issuance costs of $112 (*)	591,219	1	45	-	-	46
Warrant granted (*)	-	-	-	26	-	26
Net loss	-	-	-	-	(1,348)	(1,348)
Balance as of December 31, 2002	11,906,390	18	42,538	26	(34,726)	7,856

(*) See Note 11A.

The accompanying notes form an integral part of these consolidated financial statements.

WIZCOM TECHNOLOGIES LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands of U.S. dollars

	Year ended December 31		
	2002	**2001**	**2000**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	(1,348)	(5,459)	(8,462)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Expenses (income) not affecting operating cash flows:			
Depreciation and amortization	456	1,404	1,100
Loss on disposal /write-down of fixed assets	267	162	-
Increase (decrease) in accrued severance pay, net	25	(216)	97
Changes in operating assets and liabilities:			
Decrease (increase) in trade receivables, other accounts receivable and prepaid expenses	938	4,263	(2,216)
Decrease (increase) in inventories	1,192	1,630	(2,705)
Decrease in trade payables	(15)	(1,395)	(134)
Decrease in accrued expenses and other liabilities	(551)	(693)	(77)
Net cash provided by (used in) operating activities	964	(304)	(12,397)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of operations of Nextec Ltd. (Annex A)	(382)	-	-
Decrease (increase) in deposits	(76)	-	14,181
Increase in other assets	(18)	(129)	(41)
Purchase of property and equipment	(46)	(193)	(564)
Sale of property and equipment	66	10	-
Net cash provided by (used in) investing activities	(456)	(312)	13,576
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance costs	(13)	-	-
Increase (decrease) in short-term bank credit, net	(22)	(82)	23
Net cash provided by (used in) financing activities	(35)	(82)	23
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	473	(698)	1,202
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,971	2,669	1,467
CASH AND CASH EQUIVALENTS AT END OF YEAR	2,444	1,971	2,669
INTEREST EXPENSE PAID	6	-	52

ANNEX A - SUPPLEMENTAL SCHEDULE OF INVESTING ACTIVITIES:

Acquisition of operations of Nextec Ltd (Note 11):		
Tangible assets acquired	$	(502)
Intangible assets acquired		(640)
Liabilities assumed		424
		(718)
Less: Fair market value of shares issued		158
Fair market value of warrant issued		26
Investment in prior year		152
Net cash paid	$	(382)

The accompanying notes form an integral part of these consolidated financial statements.

WIZCOM TECHNOLOGIES LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - GENERAL

A. WizCom Technologies Ltd. ("the Company" or "Wizcom") is a corporation registered in Israel the whose shares are traded on the Neuer Markt (NM) in Frankfurt, Germany. Wizcom and its wholly-owned subsidiaries ("the Group") develop, manufacture and market easy-to-use, intelligent hand-held consumer products for the linguistics, learning and information technology markets. These products, marketed under the Quicktionary and the QuickLink brand name, combine proprietary high quality image acquisition and image processing technologies with enhanced language databases.

The Group, through the wholly-owned subsidiary Ligature Ltd. ("Ligature"), also sells Optical Character Recognition (OCR) software, which can be integrated into other scanning applications.

On July 7, 2002, the Company acquired the net assets and operations of Nextec Ltd. (see Note 11A). Nextec Ltd was founded in 1996 and is a supplier of scanning systems (Wizprobe) incorporating non-contact 3D inspection technology, a complementary product to the Wizcom group of products.

The assets and operations of Nextec Ltd. were transferred to Nextec Technologies 2001 Ltd., a newly-established wholly-owned subsidiary of the Company. The consolidated financial statements of Wizcom include the results of Nextec Technologies 2001 Ltd. commencing from July 1, 2002.

The Group markets and sells its products through agreements with distributors in various regions, including, Europe, the Far East, South America and the Middle East. In North America the Group manages directly all of the marketing and business development activities through its wholly-owned US subsidiary which was established in July 2000.

B. The Company has been advised that the German stock exchange system will be restructured and as part of the restructuring the NM will cease to exist as of the end of 2003. Wizcom has been registered to be listed on the new Prime Standard Segment of the restructured exchange.

Note 1 - GENERAL (Cont.)

C. The Group incurred consolidated net losses of $1.3 million, $5.5 million and $8.8 million for the years ended December 31, 2002, 2001 and 2000, respectively, and had an accumulated deficit of approximately $34.7 million as of December 31, 2002. The Group has funded these losses principally through proceeds from equity financing. During 2001, the Group restructured its business and significantly reduced total operating expenses, through reductions in workforce, the termination of certain leases and other reductions in costs. Management believes that existing cash and cash equivalents and funds generated from operations will be adequate to fund its business activities into 2004.

Note 2 - SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States ("US GAAP"). The significant accounting policies followed in the preparation of the financial statements, applied on a consistent basis, are as follows:

USE OF ESTIMATES:

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Note 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

FINANCIAL STATEMENTS IN U.S. DOLLARS:

The Group's revenues are generated mainly in U.S. dollars. In addition, over 70% of the Group's costs are incurred in dollars. Accordingly, management believes that the U.S. dollar is the currency of the primary economic environment in which the Group operates. Thus, the functional and reporting currency of the Group is the U.S. dollar.

Transactions and balances originally denominated in U.S. dollars are presented at their original amounts. Transactions and balances in other currencies are remeasured into U.S. dollars in accordance with principles set forth in Statement No. 52 of the Financial Accounting Standards Board of the United States ("FASB"). Accordingly, items have been remeasured as follows:

Monetary items - at the current exchange rate at the balance sheet date.

Non-monetary items – at historical exchange rates.

Income and expense items – at exchange rates current as of the date of recognition of those items (excluding depreciation and other items relating to non-monetary items).

Exchange gains and losses from the remeasurement mentioned above (which are immaterial for each reported period) are reflected in the statements of operations.

The representative rate of exchange at December 31, 2002 was U.S. $1.00 - 4.737 New Israeli Shekel (NIS) (2001 and 2000 - NIS 4.4161 and NIS 4.401, respectively).

Note 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Intercompany transactions and balances, including profit from intercompany sales not yet realized outside the Group, have been eliminated upon consolidation.

CASH AND CASH EQUIVALENTS:

Cash equivalents are short-term, highly liquid investments that are readily convertible to cash with original maturities of three months or less.

INVENTORIES:

Inventories are stated at the lower of cost or market value. Cost is determined on a first-in, first-out basis. Provisions for inventory write-downs are recorded to cover risks arising from slow-moving items, technological obsolescence, excess inventories, discontinued products, and for market prices lower than costs (see note 5).

PROPERTY AND EQUIPMENT, NET:

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets at the following annual rates:

	%
Computers	20 - 33
Furniture and equipment	7 - 15
Vehicles	15
Models	20, 50
Machinery and equipment	15 - 20
Leasehold improvements	Over the term of the lease

Note 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS

The Group's long-lived assets and certain identifiable intangibles are reviewed for impairment in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long- Lived Assets" ("SFAS No. 144") whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

GOODWILL

Goodwill represents excess of the costs over the net assets of businesses acquired. Under Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"), goodwill arising from a business combination consummated on or after July 1, 2001, is not amortized. Goodwill which arose from acquisitions prior to July 1, 2001, was amortized until December 31, 2001, on a straight-line basis over 5 years.

SFAS No. 142 requires goodwill to be tested for impairment on adoption and at least annually thereafter or between annual tests in certain circumstances, and written down when impaired, rather than being amortized as previous accounting standards required. Goodwill attributable to a reporting unit is tested for impairment by comparing the fair value of the reporting unit with its carrying value. Fair value is determined using the discounted cash flow methodology. Significant estimates used in the methodology include estimates of future cash flows, future growth rates and weighted average cost of capital. The Group performs the test of impairment during the fourth fiscal quarter of each year.

Note 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

OTHER INTANGIBLES:

Intangible assets subject to amortization (patents and acquired technology), are being amortized on a straight-line basis over their useful life (5 years).

REVENUE RECOGNITION:

The Group generates revenues mainly from the sale of its products through its direct sales force. Revenues from product sales are recognized in accordance with Staff Accounting Bulletin No. 101 "Revenue Recognition in Financial Statements", ("SAB No. 101"), when delivery has occurred, persuasive evidence of an agreement exists, the vendor's fee is fixed or determinable, no further obligation exists and collectability is probable.

The Group generally does not grant a right of return to its customers, however it does provide a 30 day trial period to on-line customers. Returns in the past have been immaterial.

The Group provides a warranty for their products to end users for one year, at no extra charge. No provision for warranty costs is recorded as based on the Group's experience the costs incurred in relation to this are minimal (in respect of spare part costs, the Group has warranties from its suppliers).

ACCOUNTING FOR STOCK-BASED COMPENSATION:

The Company has elected to follow Accounting Principles Board Opinion No. 25 ("APB 25") "Accounting for Stock Issued to Employees" and FASB Interpretation No. 44 ("FIN 44") "Accounting for Certain Transactions Involving Stock Compensation" in accounting for its employee stock option plans. Under APB 25, when the exercise price of the Company's share options is equal to or more than the market price of the underlying shares on the date of grant, no compensation expense is recognized. The pro forma disclosures required by SFAS No. 123 ("SFAS 123") "Accounting for Stock-Based Compensation", are provided below.

Pro forma information under SFAS No. 123 was estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions for 2002, 2001 and 2000: risk-free interest rate of 4.5%, 5.5% and 5.5% respectively; no dividend yield for each year; volatility factor of 80% for each year and weighted average expected life of the options of four years for each year.

Note 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

ACCOUNTING FOR STOCK-BASED COMPENSATION (Cont.):

Pro forma information under SFAS No. 123 is as follows:

	Year ended December 31		
	2002	2001	2000
	In thousands of U.S. dollars except per share data		
Net loss as reported	(1,348)	(5,459)	(8,462)
Stock based compensation determined under fair value based method of SFAS No. 123	14	(524)	(1,340)
Pro forma net loss	(1,334)	(5,983)	(9,802)
Pro forma basic and diluted net loss per share	(0.11)	(0.53)	(0.87)

RESEARCH AND DEVELOPMENT COSTS:

Research and development costs are charged to operations as incurred. Statement of Financial Accounting Standard No. 86, “Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed” (”SFAS No. 86”), requires capitalization of certain software development costs subsequent to the establishment of technological feasibility.

Based on the Group’s product development process, technological feasibility is established upon completion of a working model. Costs incurred by the Group between completion of the working models and the point at which the products are ready for general release have been insignificant. Therefore, all research and development costs have been expensed. Development costs incurred in the process of developing product improvements, are generally charged to operations as incurred.

INCOME TAXES:

The Company and its subsidiaries account for income taxes in accordance with Statement of Financial Accounting Standards No. 109, “Accounting for Income Taxes” (“SFAS No. 109”). This statement prescribes the use of the liability method whereby deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company and its subsidiaries provide a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value.

Note 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

CONCENTRATION OF CREDIT RISK:

Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash and cash equivalents and trade receivables.

The majority of the Group's cash and cash equivalents are invested with major banks in Israel and the United States. Management believes that the financial institutions that hold the Company's investments are financially sound, and accordingly, minimal credit risk exists with respect to these investments.

The Group performs ongoing credit evaluations of its customers. An allowance for doubtful accounts is determined with respect to those amounts that the Group has determined to be doubtful of collection. In certain circumstances, the Group may require letters of credit, other collateral or additional guarantees.

SEVERANCE PAY:

The Group's liability for severance pay is calculated pursuant to Israeli severance pay law based on the most recent salary of the employees multiplied by the number of years of employment, as of the balance sheet date. Employees are entitled to one month's salary for each year of employment or a portion thereof. The Group's liability for all of its employees is fully provided by monthly deposits with insurance policies and by an accrual. The value of these policies is recorded as an asset in the Group's balance sheet.

The deposited funds include profits accumulated up to the balance sheet date. The deposited funds may be withdrawn only upon the fulfillment of the obligation pursuant to Israeli severance pay law or labor agreements. The value of the deposited funds are based on the cash surrender value of these policies.

Severance pay expense (income) for the years ended December 31, 2002, 2001 and 2000, amounted to approximately $246,000, $(260,000) and $97,000, respectively.

Note 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

NET LOSS PER SHARE:

Basic net loss per share is computed based on the weighted average number of shares of Ordinary shares outstanding during each year. Diluted net loss per share is computed based on the weighted average number of shares of Ordinary shares outstanding during each year, plus dilutive potential shares of Ordinary shares considered outstanding during the year, in accordance with Statement of Financial Standard No. 128, "Earnings Per Share", ("SFAS No. 128").

All outstanding share options and warrants have been excluded from the calculation of the diluted net loss per Ordinary share because all such securities are anti-dilutive for all periods presented. The total weighted average number of shares related to the outstanding options and warrants excluded from the calculations of diluted net loss per share was 1,164,628, 960,400 and 1,157,793 for the years ended December 31, 2002, 2001 and 2000, respectively.

FINANCIAL INSTRUMENTS:

The carrying amount in the balance sheet for cash and cash equivalents, short-term bank deposits, trade receivables, short-term credit and trade payables approximate their fair value due to the short-term maturities of such instruments.

ADVERTISING EXPENSES:

Advertising expenses are charged to operations as incurred. Advertising expenses for the years ended December 31, 2002, 2001 and 2000 were $78,000, $686,000 and $587,598 respectively.

Note 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

RECENTLY ISSUED ACCOUNTING STANDARDS:

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which addresses significant issues regarding the recognition, measurement, and reporting of costs associated with exit and disposal activities, including restructuring activities. SFAS No. 146 requires that costs associated with exit or disposal activities be recognized when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS No. 146 is effective for all exit or disposal activities initiated after December 31, 2002. The Group does not expect the adoption of SFAS No. 146 to have a material impact on its results of operations or financial position.

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an interpretation of FASB Statements No. 5, 57, and 107 and Rescission of FASB Interpretation No. 34" ("FIN No. 45"), FIN No. 45 elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. FIN No. 45 does not prescribe a specific approach for subsequently measuring the guarantor's recognized liability over the term of the related guarantee. It also incorporates, without change, the guidance in FASB interpretation No. 34, "Disclosure of Indirect Guarantees of Indebtedness of Others," which is being superseded. The disclosure provisions of FIN No. 45 are effective for financial statements of interim or annual periods that end after December 15, 2002 and the provisions for initial recognition and measurement are effective on a prospective basis for guarantees that are issued or modified after December 31, 2002, irrespective of a guarantor's year-end. The Group does not expect the adoption of FIN No. 45 to have a material impact on its results of operations or financial position.

In thousands of U.S. dollars

Note 3 - DEPOSIT IN BANK - RESTRICTED

The deposit serves as a security for a guarantee provided by a bank on behalf of the Company.

Note 4 - OTHER ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	December 31	
	2002	2001
Government institutions	145	95
Prepaid expenses	73	70
Advances to suppliers	11	59
Others	34	30
	263	254

Note 5 - INVENTORIES

	December 31	
	2002	2001
Raw materials, parts and supplies	2,167	3,499
Work-in-progress	205	531
Finished products	1,054	361
	3,426	4,391

Due to the second generation product, Wizcom expects that the demand for Quicktionary II will far exceed that of Quicktionary I. As a result, a strategic decision has been made to phase out the first generation product. In this connection, a provision for write-off of Quicktionary I raw materials and finished goods inventories in the amount of $1,257 was recorded in the year ended December 31, 2001.

In thousands of U.S. dollars

Note 6 - PROPERTY AND EQUIPMENT, NET

A. COMPOSITION OF ASSETS GROUPED BY MAJOR CLASSIFICATIONS ARE AS FOLLOWS:

	December 31	
	2002	**2001**
Cost:		
Vehicles	118	342
Leasehold improvements	325	310
Furniture and equipment	103	75
Computers	1,129	1,023
Models	1,625	1,590
Machinery and equipment	535	521
	3,835	3,861
Accumulated depreciation:		
Vehicles	72	141
Leasehold improvements	315	310
Furniture and equipment	42	20
Computers	1,025	809
Models	1,432	1,247
Machinery and equipment	412	216
	3,298	2,743
Undepreciated cost:	537	1,118

B. The majority of equipment is located in Israel.

Depreciation expense for the year ended December 31, 2002, 2001, and 2000, is approximately \$335, \$910 and \$616, respectively.

In the year ended December 31, 2002 the Company wrote-down certain of its fixed assets which were no longer in use. The write-down amounted to \$247 which was included in other expenses in the statement of operations.

In thousands of U.S. dollars except per share data

Note 7 - GOODWILL

As of January 1, 2002, the Group had unamortized goodwill in the amount of $887. In connection with SFAS No. 142's transitional goodwill impairment evaluation, the Group performed a valuation to determine the fair value of the relevant reporting unit as of January 1, 2002. Based on the valuation, the Group had determined that the carrying amount of the reporting unit as of January 1, 2002 did not exceed its fair value and accordingly there had been no goodwill impairment.

The unaudited results of operations presented below for the three years ended December 31, 2002, 2001 and 2000, respectively, reflect the operations had the Group adopted the non-amortization provisions of SFAS No. 142 effective January 1, 2000:

	Year ended December 31,		
	2002	**2001**	**2000**
Reported net loss	(1,348)	(5,459)	(8,462)
Goodwill amortization	-	446	446
Adjusted net loss	(1,348)	(5,013)	(8,016)
Basic and diluted loss per share			
Reported net loss	(0.12)	(0.48)	(0.75)
Goodwill amortization	-	0.04	0.04
Adjusted net loss	(0.12)	(0.44)	(0.71)

Note 8 - OTHER INTANGIBLES

	December 31	
	2002	**2001**
Cost:		
Patent and trademarks	289	268
Patented and unpatented technology	640	-
	929	268
Accumulated amortization:		
Patent and trademarks	214	154
Patented and unpatented technology	64	-
	278	154
Unamortized cost	651	114

Amortization expense amounted to $121, $47 and $47 for the years ended December 31, 2002, 2001 and 2000, respectively.

In thousands of U.S. dollars

Note 8 - OTHER INTANGIBLES (Cont.)

Estimated amortization expense for the years ended December 31:

Year	
2003	$ 185
2004	146
2005	128
2006	128
2007	64
	$ 651

Note 9 - ACCRUED EXPENSES AND OTHER LIABILITIES

	December 31	
	2002	**2001**
Employees and payroll accruals	289	442
Accrued expenses	49	220
Other	40	74
	378	736

Note 10 - CONTINGENT LIABILITIES AND COMMITMENTS

A. The Company is committed to pay royalties on future sales due to the licensing of some technologies. The Company agreed to pay a perpetual royalty of 2% of the sale price received by the Company for each unit of products incorporating the technology.

B. Ligature participated in programs sponsored by the Israeli Government for the support of research and development activities. Through December 31, 2002, Ligature had obtained grants from the Office of the Chief Scientist of the Israeli Ministry of Industry and Trade (“the OCS”) aggregating to $627 for certain of its research and development projects. Ligature is obligated to pay royalties to the OCS, amounting to 3%-4% of the sales of the products and other related revenues generated from such projects, up to 100%-150% of the grants received, linked to the U.S. dollar. The obligation to pay these royalties is contingent on actual sales of the products and in the absence of such sales no payment is required.

In thousands of U.S. dollars

Note 10 - CONTINGENT LIABILITIES AND COMMITMENTS

B. (Cont.)

Through December 31, 2002, Ligature has paid or accrued royalties to the OCS in the amount of $189. As of December 31, 2002, the aggregate contingent liability to the OCS amounted to $541.

In February 2000, an audit of Ligature was carried out by the Industrial Research and Development Authority of the Government of Israel in connection with the royalties referred to above.

The audit report states that Ligature is required to pay royalties in respect of the Company's gross sales in light of the Company's entire ownership of Ligature, and since Ligature's product, the OCR is a principal component of the Company's products. The audit report also states that additional royalties of approximately $613 are payable in respect of the period of 18 months (from the date of the agreement for the Company's control of Ligature) ended June 30, 2000, and taking into consideration the Company's gross sales. The additional requested royalties cover all the amounts due under the approved investment program.

Ligature disagrees with the audit report and has written to the authorities that it intends to contest this demand based on the Company's understanding of the legal criterion. Accordingly, no additional provision was made in the financial statements for this matter.

C. The Group leases offices under various operating lease agreements. Aggregate minimum rental commitments (including renewal options) under non-cancelable leases as of December 31, 2002, are as follows:

Year		
2003	$	170
2004		121
2005		13

Total rent expense for the year ended December 31, 2002, 2001 and 2000 amounted to $238, $348 and $352, respectively.

Note 11 - ACQUISITION OF OPERATIONS OF NEXTEC LTD.

A. On July 7, 2002, the Company acquired the net assets and operations of Nextec Ltd. In consideration for the acquisition, the Company paid $534 in cash and issued to the shareholders of Nextec Ltd. 591,219 Ordinary shares of the Company at a value of $158 based on the market price of the Company's shares on the date of the acquisition. The number of shares issued represents 5.225% of the Company's equity (pre-issuance). The Company agreed to issue additional shares which in aggregate will not exceed 16% (pre-issuance) of the Company's equity, subject to achievement of certain revenue milestones over a period ending on July 1, 2005. No such milestones have been achieved as of December 31, 2002.

As part of the acquisition the Group has recognized intangible assets comprising patented and unpatented technology amounting to $640 as of December 31, 2002.

The Company had also advanced $267 to Nextec Ltd. to cover operating expenses. This was included in other expenses prior to the consummation of the acquisition.

In connection with the acquisition of the operations and assets of Nextec Ltd. and the settlement of Nextec Ltd's old debt to a bank, Wizcom issued a warrant to the Bank for the acquisition of shares of Wizcom of up to an amount of $650 at an exercise price of Euro 1.00 per share. The warrant is exercisable for a period of three years commencing June 1, 2002.

The fair value of the warrant at the date of grant using the Black-Scholes option-pricing model amounted to $26, which amount was included in the cost of the acquisition of Nextec.

In thousands of U.S. dollars except per share data

Note 11 - ACQUISITION OF OPERATIONS OF NEXTEC LTD. (Cont.)

B. Pro-forma information (unaudited)

The following pro-forma information presents the results of operations of the Group as if the Nextec acquisition had taken place on January 1, 2001.

	Year ended December 31	
	2002	**2001**
Revenues	6,823	8,017
Net loss	(1,348)	(7,240)
Loss per share	(0.11)	(0.61)

The pro-forma information is not necessarily indicative of the results that would have resulted had the acquisition occurred at the beginning of 2001 nor is it necessarily indicative of future results.

Note 12 - SHAREHOLDERS' EQUITY

EMPLOYEE SHARE OPTION PLAN

In 1996, the Company adopted a share option plan (the "Plan") for the granting of options to purchase Ordinary Shares to key employees, officers, directors and consultants as an incentive to attract and retain qualified personnel. Under the terms of the Plan, options generally vest two to four years after date of grant. The grants have a maximum exercise term of seven years.

According to a decision of the Board of Directors at the beginning of 2000, the total number of options to be awarded under the share option plan was increased to 3,000,000.

In thousands of U.S. dollars except share and per share data

Note 12 - SHAREHOLDERS' EQUITY (Cont.)

EMPLOYEE SHARE OPTION PLAN (Cont.)

A summary of the Company's option activity under its share option plan during the three years ended December 31, 2002, is as follows:

	Year ended December 31					
	2002		2001		2000	
	Number of options	Weighted average exercise price (*)	Number of options	Weighted average exercise price (*)	Number of options	Weighted average exercise price (*)
Outstanding at beginning of the year	960,400	$ 5.59	1,157,793	$ 5.95	1,036,459	$ 5.91
Granted	-	-	-	-	308,000	6.23
Forfeited	(415,349)	6.85	(197,393)	5.87	(186,666)	6.20
Outstanding - end of the year	545,051	$ 6.47	960,400	$ 5.59	1,157,793	$ 5.95

(*) The exercise price of options granted in 2000 was denominated in Euros. The exercise price is translated into dollars at the end of each year in accordance with the prevailing dollar/Euro exchange rate.

	December 31		
	2002	2001	2000
Weighted average fair value of options granted during the year with exercise price equal to market value at date of grant	$ -	$ -	$ 4.40

In thousands of U.S. dollars except share and per share data

Note 12 - SHAREHOLDERS' EQUITY (Cont.)

EMPLOYEE SHARE OPTIONS PLAN (Cont.)

As of December 31, 2002, the range of exercise prices and weighted average remaining contractual life of outstanding options were as follows:

Exercise prices	Options outstanding as of December 31 2002	Weighted - average remaining contractual life (years)	Weighted - average exercise price
$ 0.93-3.33	157,060	0.66	$ 1.73
$ 5.77-8.39	309,923	1.60	$ 6.99
$ 12.59	78,069	1.56	$ 12.59
	545,052		

All options outstanding as of December 31, 2002, were exercisable.

Note 13 - SUPPLEMENTARY STATEMENT OF OPERATIONS INFORMATION

A. COST OF SALES

	Year ended December 31		
	2002	2001	2000
Materials and components	2,802	3,604	9,391
Salaries and related expenses	386	388	860
Operating expenses	245	435	637
Royalties and other expenses	140	24	300
Depreciation	210	476	362
	3,783	4,927	11,550

Note 13 - SUPPLEMENTARY STATEMENT OF OPERATIONS INFORMATION (Cont.)

B. FINANCING INCOME (EXPENSES), NET

	Year ended December 31		
	2002	**2001**	**2000**
Interest expense	(6)	-	(20)
Interest income on deposits	-	-	420
Foreign currency translation gains	31	-	8
Other	(26)	11	(32)
	(1)	11	376

Note 14 - TAXES ON INCOME

A. MEASUREMENT OF TAXABLE INCOME UNDER THE INCOME TAX (INFLATIONARY ADJUSTMENTS) LAW, 1985

Under the Income Tax (Inflationary Adjustments) Law, 1985, the Company's results are measured in accordance with the changes in the Israeli CPI. Wizcom notified the Tax Authorities of their election to report for income tax purposes under the rules for reporting in foreign currency. In accordance with these rules the Company's results will be measured in U.S. dollars for income tax purposes for the year ended December 31, 2001 and thereafter.

B. TAX BENEFITS UNDER ISRAEL'S LAW FOR THE ENCOURAGEMENT OF INDUSTRY (TAXATION), 1969

The Company is an "industrial company" as defined by the Law for the Encouragement of Industry (Taxes), 1969, and, as such, is entitled to certain tax benefits, primarily the right, to claim public offering expenses as a deduction for tax purposes.

Note 14 - TAXES ON INCOME (Cont.)

C. TAX BENEFITS UNDER THE LAW FOR THE ENCOURAGEMENT OF CAPITAL INVESTMENTS, 1959 ("THE LAW").

The Company has received the approval of the Investment Center for an investment program for the Jerusalem facility qualifying for "alternative benefits" under the Law for Encouragement of Capital Investments, 1959. These benefits provide the Company with an exemption from income taxes on income from its Approved Enterprise for a period of ten years from the first year in which there is taxable income, up to the earlier of twelve years from the time the facility was first made operational or fourteen years from the issue of the letter of approval. The Investment Program was completed and a final implementation report was submitted to the Investment Center.

Additionally, in November 1998, the Company received approval for an expansion of its Approved Enterprise program in an amount of $1,400. The Company has received notification from the Investment Center that this approval for the Company's status as an approved enterprise has been revoked from July 1, 2002 due to non-compliance with the required conditions. The Company is in discussions with the Investment Center in order to have their status reinstated. If the status is not reinstated this will impact the Company with regards to tax benefits in the future, once the Company generates taxable income and utilizes all carryforward losses. There is no impact on the Company for the current year.

Dividends paid out of income derived from the Approved Enterprise are subject to 15% withholding tax. In the event of distribution of a dividend from tax exempt income, the Company will be required to pay income taxes at a rate of 25% and tax will be withheld from the dividend at a rate of 15%. The Company's policy is not to declare dividends out of any tax exempt earnings.

Note 14 - TAXES ON INCOME (Cont.)

D. NET OPERATING LOSS CARRYFORWARDS

The Group has accumulated carryforward losses for tax purposes at December 31, 2002 in the amount of approximately $30,000.

Management believes that since the Group has a history of losses it is more likely than not that the deferred tax asset regarding the loss carryforwards will not be utilized in the foreseeable future and accordingly has provided a valuation allowance in respect of the entire amount.

E. RECONCILIATION OF THE THEORETICAL TAX EXPENSE (BENEFIT)

The difference between the theoretical tax benefit, assuming all losses are taxed at the statutory rate applicable to income of the Group (36%) and the actual tax expense as reported in the statements of operations is due to losses for which no tax benefit has been recorded.

Note 15 - RELATED PARTY TRANSACTIONS

A summary of transactions with related parties is as follows:

	Year ended December 31		
	2002	**2001**	**2000**
Royalties	-	110	280
Insurance expense	-	-	84

Note 16 - DISCLOSURES ABOUT SEGMENTS AND RELATED INFORMATION

Subsequent to the acquisition of the operations of Nextec in 2002, the Group has two reportable product segments. See Note 1A for a brief description of the Group's business. The data is presented in accordance with SFAS 131, "Disclosure About Segments of an Enterprise and Related Information".

The following data present the revenues, expenditures and other operating data of the Group's product operating segments (segregated by the selling entity):

	Year ended December 31, 2002		
	Quicktionary Group	Wizprobe Group	Consolidated
Sales to unaffiliated customers	$ 6,305	$ 267	$ 6,572
Operating loss	$ 767	$ 316	$ 1,083
Financing expenses, net			1
Other expenses, net			264
Net loss			$ 1,348
Depreciation and amortization	$ 384	$ 72	$ 456
Identifiable assets at December 31, 2002	$ 8,508	$ 915	$ 9,423

Note 16 - DISCLOSURES ABOUT SEGMENTS AND RELATED INFORMATION (Cont.)

	Year ended December 31		
	2002	2001	2000
Revenues from sales to unaffiliated customers:			
North America	$ 3,031	$ 4,100	$ 6,092
Europe	869	1,106	3,886
Middle East (mainly Israel)	1,097	1,082	1,593
The Far East	1,445	1,088	3,002
South America	130	192	330
	$ 6,572	$ 7,568	$ 14,903

Major customers as a percentage of total revenues:

	Year ended December 31		
	2002	2001	2000
Customer A	(*)	(*)	10%
Customer B	(*)	14%	-

(*) Less than 10% of total revenues.

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