

Orad High-Tec Systems

June 11, 2008

Recommendation

BUY

**Risk:
High**

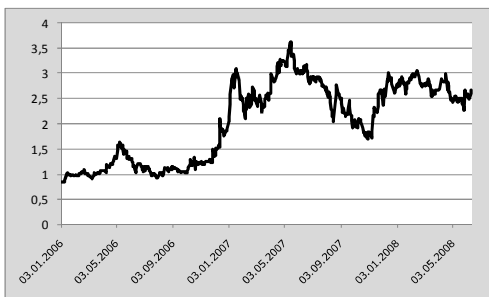
Act. Price: EUR 2,67
Fair Value: EUR 4,17
Potential: 56%

Reuters Code: OHTG.F
Bloomberg Code: OHT GR
Home Page: www.orad.tv
Fiscal Year: December

Trading Data:

High/Low 52w: 3,23 -1,58
Market cap: EUR 29,6 Mio
Shares outstanding: 11,087 Mio
Free Float: 54,7%

Price Graph:



Financial Calendar

Aug 08: Q2 2008 results
Sept 08: AGM
Nov 08: Q3 2008 results

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Attention is drawn to the disclaimer and other information

Innovative High Tech Products for a better TV Experience

Orad High-Tec Systems is one of the leading firms developing and distributing virtual technology for TV broadcasters and media companies. The existing product portfolio as well as the new product pipeline combined with an optimized distribution network should help to achieve above average growth rates and to gain market share. We find the stock substantially undervalued and recommend investing.

Key Points

- Q1 2008 figures were very strong. Revenues gained 62% reaching USD 7,7 Mio. Operating margins were with 10,5% far higher than last years. We expect future growth to be driven by the "Graphics" segment. "Graphics" sales should reach USD 15,6 Mio in 2008, gaining 44% compared to 2007.
- We expect new contracts being signed with TV broadcasters all over the world, but estimate demand in Asia together with "Americas" to be strong in particular.
- The Sales and Distribution department is now restructured and reorganized. The company currently has six offices outside Israel with 83 employees. In countries without own offices Orad works with local agents.
- Company focuses on the launch of new and improved products and spends 14% of sales annually for Research and Development. We expect this should help the company to gain in market share over the coming years.

Financials

We expect Sales to grow annually by 30% for the next three years. Sales should reach USD 29.73 Mio. in 2008. Cost savings as well as the trend to more profitable products should lead to margins expansion. We expect operating margins to reach 6,8% in 2008 and 10,3% in 2009.

Valuation

We valued Orad High-Tec by using a DCF as well as a peer group valuation. We have weighted the DCF valuation method and the peer group analysis equally with 50% to come up with the blended valuation. Our target price is EUR 4,17 per share, which is equal to a market capitalization of EUR 46,2 Mio.. The actual share price is therefore considerably below our target price and we expect midterm and adjustment of the current price to the target price.

	2007	2008E	2009E	2010E	2011E
Sales (in USD Mio.)	22,94	29,73	38,56	50,09	64,07
EBITDA Margins	7,6%	8,6%	11,7%	12,6%	13,7%
EBIT Margin	5,3%	6,8%	10,3%	11,5%	12,8%
Net Profit (in USD Mio.)	1,78	2,59	4,54	6,33	8,77
EPS (in USD)	0,16	0,23	0,41	0,57	0,79
P/Sales		1,5	1,2	0,9	0,7
P/E		17,7	10,1	7,2	5,2
P/B		4,1	3,3	2,5	1,9

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Executive Summary

- Orad High-Tec was founded in Israel in 1993 and is one of the leading companies developing and distributing virtual technology for TV broadcasters and media companies.
- The business can be subdivided into three segments: „Graphics“ (percentage of sales 2007: 47%), focusing on two or three dimensional On-Air graphics supporting TV broadcasts, „Virtual Sets“ (percentage of sales 2007: 30%) focusing on virtual studios for TV stations and „Sports“ (percentage of sales 2007: 19%) focusing on graphical support during TV sport broadcasts.
- The following market events should positively impact the demand for Orad products short to midterm: The ongoing penetration of IP-TV (Internet TV) and consequently the pronounced increase of TV stations, the increasing importance of HDTV (High Definition TV) and other technical innovations like Video on Demand etc, which are going to have a big impact on television and the way viewers will treat it.
- For 2008 we expect a sales growth of 30% mainly driven by an above average demand for products in the segment „Graphics“. The operating margin should reach 6,8%. In 2007 the EBIT margin was 5,8%. Margins improvement will mainly be achieved through an improved product mix as well a more efficient cost control.
- The attractive product line combined with the improved distribution network and an optimized marketing strategy should lead to an increase in market share and to above average growth rates.
- Recently signed contracts with Czech TV, Czechs national public TV station and CCTV, Chinas biggest TV station demonstrate Orads competitive strength.
- At the end of December 2007 Edmond de Rothschild (13,% of common equity) and the Cohanzick Funds (8,5% of common equity) took over all shares which were in the hands of the insolvent ISMM AG. This put a positive end to the search for a long term, high quality investor.
- Our fair value for Orad High-Tec Systems is EUR 46,2 Mio, which is equal to EUR 4,17 per share. The actual share price of EUR 2,67 is therefore considerably below our target price and we expect midterm an adjustment of the current share price to the target price. In order to define the target price we have used a DCF valuation method and a peer group analysis. We have weighted the DCF method with 50% and the peer group analysis with 50% to calculate the target price.

Swot Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • Innovative and high quality product line makes the company very competitive • Global presence enables the company to target existing and potential clients all over the world • Strong management team with long-term experience guarantees successful company corporate management 	<ul style="list-style-type: none"> • Sparse recurring business and just marginal income from services makes it necessary to acquire constantly new clients • Optimized distribution structure has to give prove to sell successfully in the long run • Regulatory issues in regards to airtime in several countries can limit sales growth

Opportunities	Threats
<ul style="list-style-type: none"> • Constant changing media environment (like the transition from SD to HD) forces TV companies to invest in innovative products • Own research department is searching constantly for new applications and new products • Commercialization of IPTV will lead to an increased number of TV stations and therefore an increased demand for Orad products 	<ul style="list-style-type: none"> • Relatively high US currency dependency leads to volatile sales as well as profit development • Fast changing technologies and standards make a quick and innovative new product development necessary

Short and medium Term Catalysts

- Publication of new applications and products as well as new contracts with TV stations will lead to positive news flow.
- On August 18th, 2008 the company will publish its second quarter results for 2008.
- The company will participate in several investors' conferences and will consequently increase its awareness level.

Valuation

We used the Discounted Cash Flow (DCF) and peer group valuation methods to value Orad High-Tec Systems. Our final blended valuation gives 50% weight to the DCF and 50% to the peer group. Based on our analysis, we are assigning a target value of EUR 46,2 Mio or EUR 4,17 per share. This represents a 64% upside over the current price of EUR 2,56.

DCF Valuation

We used the Free Cash Flow to Equity (FCFE) to calculate the DCF value for the equity share of Orad High-Tec Systems. As a terminal growth rate we used 2,5% in order to calculate the terminal value. A beta of 1.1, a risk free rate of 4%, and risk premium of 8% were used in the CAPM model to calculate and come up with a discount rate of 12.8%. The future cash flows were discounted finally by the cost of equity rate.

Using the DCF method the company has fair value of USD 92,84 Mio or EUR 59,9 Mio..

DCF Method

(in USD Mio)	2007	2008E	2009E	2010E	2011E
Net Income	1,78	2,59	4,54	6,33	8,77
(+) Depreciation and Amortisation	0,55	0,55	0,55	0,55	0,55
(-) Cash flow from working capital	2,65	1,09	1,39	1,76	2,20
(-) Capital Expenditure	-	(0,45)	(0,58)	(0,75)	(0,96)
FCFE	4,97	3,78	5,90	7,89	10,56
PV of cash flows	-	3,35	4,64	5,50	6,52
Sum of PV - First Phase	20,01				
Sum of PV - Second Phase	23,15				
Terminal Value growth Rate	2,5%				
Terminal Value	108,54				
PV of Terminal Value	36,71				
PV of FCFE	79,86				
(+) Cash	12,98				
Target Value	92,84				

Summary of DCF Valuation	Value	% of Total
PV of First Stage	20,01	21,5%
PV Second Stage	23,15	24,9%
PV of Terminal Value	36,71	39,5%
Cash	12,98	14,0%
Target Price	92,84	100,0%

Cost of Equity	
Cost of Equity	12,8%
Beta	1,10
Risk Premium	8,0%
Risk Free rate	4,0%

Source: VEM Aktienbank AG

Peer Group Analysis

In order to value Orad High-Tec Systems against its peers we have used forward P/E multiples as well as EV/EBITDA multiples.

As a peer group we have defined companies which are all delivering technology products to TV broadcasting industries. One of the major competitors of Chyron could not be included into the calculation as no consensus corporate estimates could be found. All companies we have found are either based in Europe, USA or Canada. They are overall much bigger than Orad High-Tec. Nevertheless we believe using those companies in the peer group makes sense and is legitimate.

In order to calculate the fair value while using a peer group analysis we have weighted the fiscal year 2008 with 60% and fiscal year 2009 with 40%. Based on these multiples we have achieved a fair value of EUR 32,4 Mio for Orad.

Peer Group Analysis

	2008E						2009E					
	P/Sales	P/E	P/EBITDA	EV/EBITDA	P/EBIT	EV/EBIT	P/Sales	P/E	P/EBITDA	EV/EBITDA	P/EBIT	EV/EBIT
Avid Tech	0,9		28,4	22,7			0,8	26,7	14,1	11,3		
EVS Broadcast	7,3	16,7	10,8	10,3	11,3	10,7	6,8	15,1	10,2	9,6	10,5	9,9
Harmonic	2,6	13,9	13,3	9,3	16,1	11,2	2,3	15,9	11,3	7,8	13,7	9,5
Miranda Tech	1,7	12,1	8,1	5,2	9,2	5,9	1,5	10,0	6,5	4,2	8,1	5,1
Wizit	3,1	14,3	12,4	10,3	15,3	12,7	2,4	11,8	9,8	8,2	11,2	9,4
Seachange	1,3	43,8	13,3	9,5	43,4	30,8	1,2	29,7	9,7	6,9	24,6	17,5
Evertz	4,7	16,4	10,9	10,0	11,4	10,4	4,0	13,7	9,7	8,8	9,3	8,5
Durchschnitt	3,1	19,5	13,9	11,0	17,8	13,6	2,7	17,6	10,2	8,1	12,9	10,0
Median	2,6	15,3	12,4	10,0	13,3	10,9	2,3	15,1	9,8	8,2	10,9	9,4

FAIR VALUE in USD MIO	50,29	
FAIR VALUE in EUR MIO	32,45	
	2008E	2009E
Fair Value (Average)	42,5	61,9
Weight	60%	40%
Fair Value based on		
P/E (Average)	50,57	79,72
P/E (Median)	39,70	68,43
EV/EBITDA (Average)	41,28	49,62
EV/EBITDA (Median)	38,62	49,93

Source: Bloomberg, Reuters, VEM Aktienbank AG

Peer Group Company Profiles

Avid Tech (USA, Market Cap: USD 744 Mio.):

The company develops, markets, sells and supports a range of software and hardware products for digital media production, management and distribution. The Company's products are used worldwide in production and post production facilities; film studios; network, affiliate, independent and cable television stations; recording studios; live-sound performance venues; advertising agencies; government and educational institutions; corporate communication departments, and by game developers and Internet professionals.

EVS Broadcast Equipment (Belgium, Market Cap: EUR 839 Mio.):

Company designs, manufactures and markets digital equipment and automation software aimed at cinema and television professionals. The Company is divided into two divisions: Television Systems and Digital Cinema Solutions. The Television Systems division is engaged in integrated television production and digital broadcasting systems and enables the creation, editing and exchange of video files. The Digital Cinema Solutions division specializes in the production of integrated Cross-Connect Data Conflict (XDC) solutions used by cinema operators, as well as film producers and distributors.

Harmonic Inc (USA, Market Cap: USD 941 Mio.):

Harmonic Inc. designs, manufactures and sells video products and system solutions that enable service providers to deliver the next generation of broadcast and on-demand services, including high-definition television (HDTV), video-on-demand (VOD), network personal video recording and time-shifted television. Harmonic's products generally fall into two principal categories: video processing solutions and edge and access products. The Company's video processing solutions provide broadband operators with the ability to acquire a variety of signals from different sources, in different protocols, and to organize, manage and distribute this content to maximize use of the available bandwidth. Harmonic's edge products enable cable operators to deliver customized broadcast or narrowcast on-demand services to their subscribers. Its access products allow cable operators to deliver video, data and voice services over their networks.

Miranda (Canada, Market Cap: CAD 220 Mio.):

Miranda Technologies Inc. (Miranda) develops, manufactures and markets hardware and software for the television broadcast industry. Its products are used by professionals throughout the broadcast value chain, including content creators (production and post-production companies), content packagers (broadcasters and specialty channels) and television service providers (cable, satellite and telecommunication companies). Miranda's solutions include infrastructure products that use digital technology to allow transmission signals to be converted to multiple standards; media playout products that allow television broadcasters to manage and switch content and to generate live graphics to air, and monitoring and control products that allow users to manage a number of broadcast signals across geographically disparate infrastructures.

Vizrt (Norway, Market Cap: EUR 216 Mio.):

VIZRT Ltd. is engaged in the provision of real-time 2D and 3D broadcast graphics. The Company's products, powered by its viz|engine core renderer, offer complete graphics solutions, including character generation, content management and newsroom integration, 3D tickers, virtual studio, weather

data integration, virtual sports analysis, information display and virtual effects. Its software solutions also offer customized user interfaces for designers, operators, journalists and studio engineers. Its products are used by broadcasting companies across the world, including CNN, CBS, Fox, BBC, Sky, ITN, ZDF, Star TV, TV Today, CCTV and NHK. Its subsidiary, Curious Software Ltd., provides world maps software for television and video. In 2008, the Company acquired Escenic AS, a provider of content management solutions. VIZRT Ltd. is based in Bergen, Norway and has regional operations throughout the world.

Seachange (USA, Market Cap: EUR 246 Mio.):

SeaChange International, Inc is a developer, manufacturer and marketer of digital video systems and services. These products and services facilitate the management, aggregation, licensing, storage, and distribution of video, television programming, gaming and advertising content. The Company sells its products and services to cable system operators, including Cablevision, Comcast, Cox Communications, Virgin Media, and Time Warner Cable; telecommunications companies, including Nippon Telephone & Telegraph (NTT), Telekom Austria and Verizon Communications, and broadcast television companies, including ABC Disney, CNBCUK, Ascent Media, Clear Channel, and China Central Television.

Evertz (Canada, Market Cap: CAD 1448 Mio.):

The Company designs, manufactures and distributes video and audio infrastructure equipment for the production, post-production, broadcast and telecommunications markets. Its solutions are purchased by content creators, broadcasters, specialty channels and television service providers to enable and enhance the transition to a multi-channel digital and high definition television broadcast environment. It generates revenue principally from the sale of its broadcast equipment solutions to content creators, broadcasters, specialty channels and television service providers. The Company also generates a small percentage of its revenue from services relating to the installation and ongoing servicing of its products. Evertz generates revenue in two geographic regions: Canada/United States and International. It generates approximately 72% of its revenue in Canada/United States.

Blended Valuation

In order to reach the final target value for Orad High-Tec Systems we combined both valuation approaches – the DCF Method as well as the peer group analysis (with a ratio of 50/50). Our final target value for the company is EUR 46,6 Mio, which is equal to EUR 4,20 per share.

Blended Valuation

in USD Mio	Company Value	Weight
Value DCF Model	92,8	50%
Value DCF Model	50,3	50%
Fair Value	71,6	

in EUR Mio	Company Value	Weight
Value DCF Model	59,9	50%
Value DCF Model	32,4	50%
Fair Value	46,2	

Source: VEM Aktienbank AG

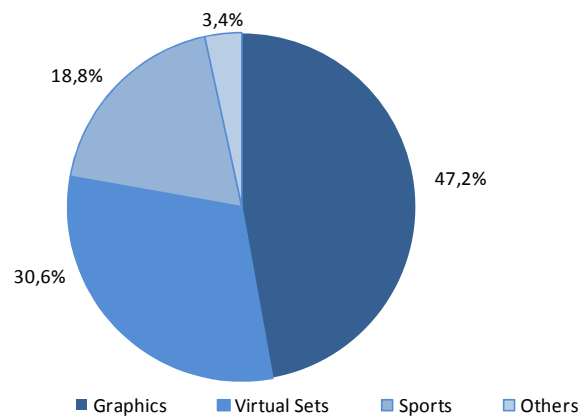
Profile: Growth through Innovation

Orad High-Tec Systems was founded in Israel in 1993 and focuses on the development and distribution of innovative technologies for TV broadcasting, virtual reality and sports events. The company currently has 159 staff members.

Focus on three Product Lines

Orad focuses on three segments: "Graphics" (Graphic Software), "Virtual Sets" (Virtual Studios) and "Sports" (Graphic Software for sports events).

Segments per Sales 2007



Source: Orad High-Tec

Graphics

"Graphics" represents the largest segment with a weight of 47,2% of total sales (2007). In fiscal year 2007 the company was able to achieve sales of USD 10,8 Mio, which equals to a growth of 127% compared to the previous year. Fields of application are three dimensional graphical illustrations for TV Stations in the broadcasting segments news, sporting events, game shows and in general branding activities.

"Graphics" products allow for two- or three dimensional graphics which can be easily integrated into live programs. Examples are graphical solutions for election results, sports intermediate results or program previews, which can be shown during ongoing programs.

Product Example: Graphics



Source: Orad High-Tec

Additionally to the already existing products like Maestro Orad High-Tec Systems added three new product developments in 2007 and 2008.

- 3DPlay
A software, which can be used for TV stations' own branding strategy. The software makes it possible to air programming previews during an ongoing broadcast in such manner that videos - of an upcoming movie for example - can be included into the preview (on the bottom of the TV screen for instance).
- 3DWeather
A program used for the real time visualization of weather data. The software enables the client to adapt fast changing weather conditions and therefore allows showing the current weather situation in an up-to-date and accurate manner. Additionally, the product includes weather data like temperature, wind, amount of rain etc. of 50000 stations worldwide, which are updated on an hourly basis. The "3DWeather" product can be easily integrated in already existing products.
- MAM Integration
The newly integrated Media Asset Management Software allows the client to use all graphic programs in a simpler way and to combine them with each other.
- MVP
Product provides a comprehensive tool set that enables producers help viewers to better understand critical plays, the flow of the game and post game analysis.

Orad could attract quite a few new clients 2007. They signed contracts with RTBF (Belgium), Rede Record (Brazil), HBO (Singapore), Deutsche Welle (Germany), M6 + Lagardere (France), Canal+ (France), Polsat (Poland), MTV (Finland).

This March the company announced a contract with Chinas biggest TV station, Central China Television (CCTV), which includes the purchase of 3D Graphic solutions enhancing the broadcast of the Olympic Games 2008 in Beijing. The total contract size has a value of circa USD 1,4 Mio. Orads product will enable CCTV to air "sports graphics" as well as "highlight summaries" at a very high quality.

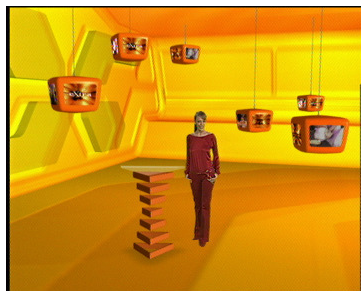
Virtual Sets

An additional business segment contains the segment "Virtual Sets". In fiscal year 2007 the company was able to generate sales of USD 7 Mio, which represented 30,6% of total revenues.

With "Virtual Sets" products, TV stations are enabled to combine a 3D generated virtual scene with real objects. Examples are: combining real objects like the moderator, chairs or podiums etc. with a virtually generated room.

These products give TV stations a cost saving solution and very high flexibility. Customers will be able to generate a professional studio atmosphere without the need of huge space. Additionally the same studio can be used for different formats. Consequently the client can save considerable costs; an important issue in particular for small studios.

Product Example Virtual Sets



Source: Orad High-Tec

To the already established products like ProSet (premium segment) and SmartSet (entry level package) Orad has introduced three new developments in 2007. All three products allow the clients to present virtual studios in an even more realistic way.

- HD

This new development creates an even more realistic and "sharper" image of the virtual studio.

- Increase photo realism

Up till now virtual objects, which were layered in front of a real object (like a moderator), were non transparent. With the new product from the "ProSet" series, it is now possible to introduce transparent objects in front of a real object.

Orad has already a broad and global client base for this product line. Additional to the already existing clients like TV Globo (Brazil) or RAI (Italy) the company recently sold products to CONCACAF (USA), RTP (Portugal), TVN and Canal 13 (Chile).

With CanWest Global Communication Group (Canada), Canada's largest communication company, Orad has just signed a USD 2,5 Mio. contract. This contract includes the purchase of "ProSet" products, which can be applied for 14 CanWest TV stations, leading to a more flexible and efficient program composition.

New additional contracts with other TV stations should be announced soon.

Sports

The third segment is „Sports“, where sales of USD 4,3 Mio. were generated in 2007 (18,8% of total sales). "Sports" products improve the quality of sport shows with virtual graphics or enable the broadcaster to place advertisements into ongoing sports broadcasts. The client will be able to simulate a situation graphically in 3D from different angles (like a soccer goal for example). Additionally the products allow integrating effectively as well as efficiently advertisements into ongoing program (like banner advertisement).

Product Example: Sports



Source: Orad High-Tec

To the already existing and established products the company has recently developed improved product versions as well as new products.

- TrackVision
This product is already in distribution for a while but it was modified and now includes versions for additional sports like American football and soccer. TrackVision enables to overlay the ongoing sports broadcast with virtual graphics. Therefore the presenter will be able to give a very detailed and easy to understand comment on the event. Additionally it simplifies the analysis.
- 3D Replay
With 3D Replay it is possible to repeat soccer scenes in a very accurate but virtual 3D manner and to rerun one scene from different perspectives.
- ADVision
With ADVision every sports event can be turned into an advertisement platform. Virtual but very realistic ads (like a logo of the advertised products) can be included into ongoing broadcasts and consequently will lead to additional income for license owners, TV stations as well as producers.
- MVP (same as Graphic Product)

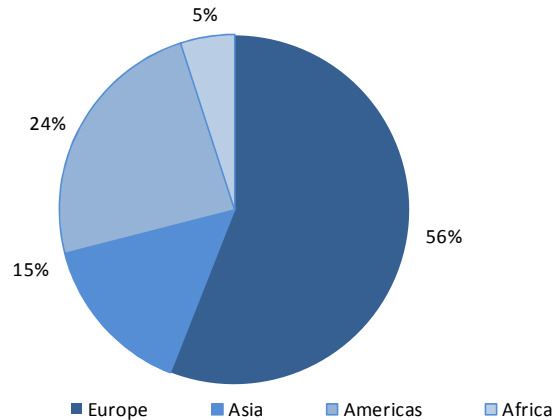
Clients of this product segment are based all over the world. New contracts have been signed with TV Azteca (Mexico), FOX, Turner und CONCACAF (USA), CBC and RDS (Canada), TV Globo (Brasil) as well as PCCW (Hong Kong). For example Turner's TNT uses Orads products for its broadcast of NBA all star games; here Virtual Advertisement (like a rotating logo) is integrated in live shoots of a town.

Worldwide Sales – Worldwide Distribution Network

Orad High-Tec distributes its products worldwide and has built an extensive distribution network over the years. The largest share of sales is coming from Europe. Here the company achieved sales of USD 12,8 Mio. in 2007, which represents 56% of total sales. The strongest growing region is "Americas" with a sales share of 24% in 2007, which stands for a growth rate of 63% compared to the previous year. In 2006 the sales share of "Americas" was 19%. The Asian region had a weak performance. Sales decreased by 14,5% in 2007 compared to 2006.

For the future the company announced to focus more on this region and will try to gain market share by improving the sales force.

Regional Sales in % (Fiscal year 2007)



Source: Orad High-Tec

Distribution

Orads distribution structure was one of the weakest points for Orad High-Tec Systems for years. Though the company had built a global network of representatives over the years, the success was sub optimal. The sales force and organization acted too uncoordinated and they have worked with employees lagging in success.

In the meantime the management has recognized that only an optimal distribution network with a well trained and networked staff can guarantee a long term success.

Consequently the distribution unit was restructured. Some branches were closed others were expanded. New distribution as well as sales personal was hired.

The restructuring showed success. Till 2005 the company reported a loss. In 2006 and 2007 Orad High Tec-Systems was earning positive returns. We expect this to continue.

Management

Orad Hi-Tech Systems management stands for long term experience.

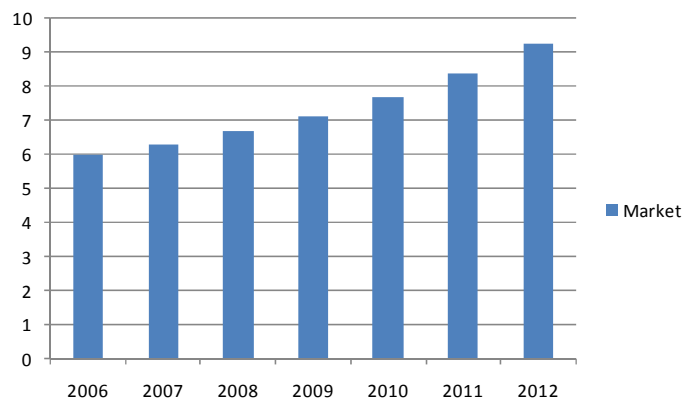
Avir Sharir, CEO and one of the board members of Orad Hi-Tec Systems, is one of the founders of the company and not only has a very deep technological knowledge but has also international management experience for years.

Ehud Ben Yair, the CFO of Orad Hi-Tec Systems, is working for the company since mid 2005. With him the turnaround has started. Prior to his position at Orad he was acting as a CFO for Olive Software Inc., a software company based in Santa Clara, California and Voltaire Ltd., another Software company based in Massachusetts.

The Market

Market Analysis by Datamonitor estimates that the total broadcasting infrastructure market will be USD 6,7 bn in 2008 and will grow by 9% annually. These estimates however include all kinds of hardware as well as software for the broadcasting industry. Orads target market should be characterized by a higher growth.

Infrastructure Development in USD bn



Source: Datamonitor

Competitive Environment

Orad Hi-Tec is acting in a segmented market where only a few companies are active and successful. The main competitors are Vizrt, Miranda Technologies and Chyron. Others might have similar business models but play in different fields or are much bigger (like AVID for example).

In comparison to its competitors Orad is characterized by far stronger growth in regards to sales as well as earnings. Orad High-Tec Systems dominates the market of "Virtual Sets" as well as the branding market while Vizrt is market leader in the graphic solutions segment.

Vizrt is a Norwegian software company with annual sales of USD 86,5 Mio (fiscal year 2007) and focuses on 2D and 3D Graphics for TV-broadcasting. Similar to Orad the company offers a broad range of products: graphic solutions, virtual studios, weather report software, MAM, sports analysis tools and others.

Miranda Technologies is headquartered in Canada. In fiscal year 2007 the company was able to reach sales of CAD 112 Mio. Miranda Technologies is a competitor of Orad only in some areas; here mainly in the segment graphical solutions for TV productions.

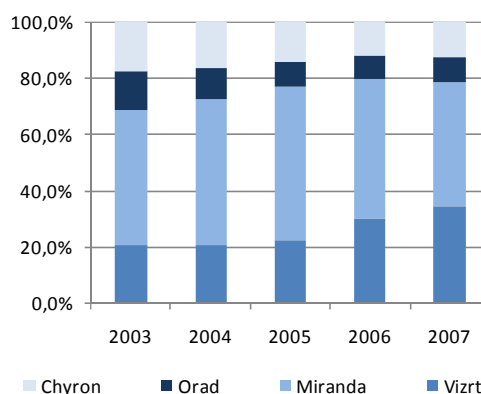
Chyron is an US company and focuses on the segment graphics for TV companies. In fiscal year 2007 the company has reached sales of USD 32,3 Mio..

Market Share and Margins Development

To define the total market volume of this segmented market is not an easy and straight forward task. If we add the total sales of Orad, Vizrt, Miranda and Chyron and define this as the total market then Orad owns the smallest market share with 9% in 2007. Market leader is Miranda with 44%, but is losing market share substantially,

Over the years we expect that Orad will be able to increase its market share as the company has already and will improve its distribution structure as well has optimized its product line. This should make Orad more competitive in the future.

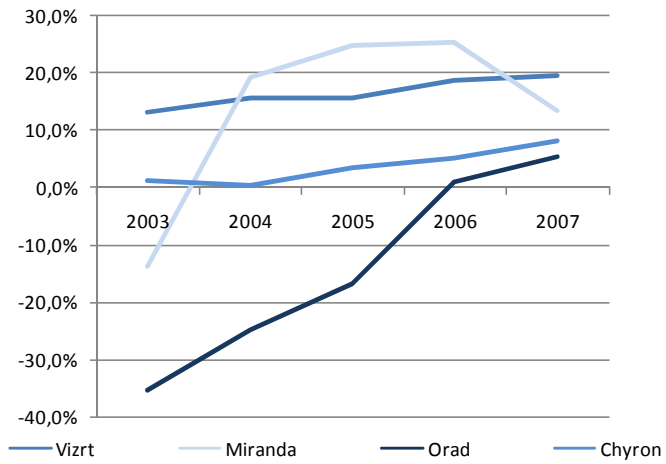
Market Share Development



Source: Reuters, Annual Reports

If you compare the EBIT margins of Orad High-Tec Systems with those of the competition, Orad had the weakest margins over the years. We find it more important that a distinct improvement is visible over the years and we expect margins continue to improve.

EBIT Margins Development Orad and Competitors



Source: Reuters, Annual Reports

The Growth Drivers

Media Landscape still faces dramatic changes

The digital revolution has just begun. In the next 10 years the consolidation of the Internet, Television and Telecommunication will have a big affect on media companies and their business models. The ongoing penetration of HDTV (high definition TV) will additionally change the viewing behavior of TV viewers dramatically. We expect Orad High-Tec Systems to benefit from these trends.

More channels – increased competition

The TV landscape will change dramatically over the next couple of years. Through the launch and increasingly higher penetration of IP-TV, we expect the number of TV stations to increase strongly. The well established TV companies will diversify its programming and develop special interest channels. We furthermore expect the launch of a new TV stations.

Orads “Virtual Sets” products will be in high demand through this. Those products will enable established as well as new TV companies to develop cheap and efficiently new TV formats. Real looking virtual studios will give small TV companies the ability to deliver a professional programming, be it news, a TV show or quiz.

Additionally the increased competition will lead to the fact that TV stations will be forced to develop innovative elements for their programming. Individual graphical solutions are one possibility to do so, from program announcements to graphical displays of content during ongoing broadcasts. Both could be presented in 2D or 3D.

Orads “Graphics” products deliver the optimal and necessary applications for this purpose.

Force to new and innovative sources of income for Broadcasters

A number of innovations should lead to increasing difficulties to generate sales for TV companies which finance themselves through advertisement income. The viewer will tolerate to a far lesser degree commercial breaks.

On one side the viewer is already able to revert to alternative program suppliers like „video on demand“ or several offers on the internet (“youtube.com“ just to mention one) on the other hand he is increasingly in the position to avoid commercial interruptions through personalized DVD recorders.

This will have the consequence that TV companies are forced to search for new and innovative ways to generate additional income. Advertisement has to be placed with no chance to avoid it.

Here as well Orad has developed a broad product range to include advertisement into ongoing programs. Products from the segment “Virtual Advertising” deliver this. With ADVision the client is able to place advertisement into the ongoing broadcast without distracting the program

too massively. The viewer can still watch the ongoing program and simultaneously commercials can be aired. With "Graphics" tools something similar is possible. Ads can be placed graphically on the TV screen (like on the bottom of the screen).

Gaining importance of Live broadcasts

Live broadcasts in particular sports events will be gaining more and more importance in the changing media environment. The reason lies in the fact that particular sport events are extremely popular, as they are unique and have a "live" character. The fight for this content and the viewer is hard. Innovations are important, mainly in the formatting and the illustration of the programs. Orad High-Tec Systems offers interesting solutions as well. The product series from the "Sport enhancement" segment offers applications which make it for the client possible, to rework a situation in 3D quality and to analyze a situation from different perspectives. Graphically generated lines, bars or circles can be of help to make a match or other sporting event easier to understand (like soccer fouls for example).

Increasing importance of HDTV

HDTV (High Definition Television) is gaining strongly in importance in developed countries. Here it is the regions USA, Japan and Europe, which are leading the transition to High Definition TV, however the shift to high definition is growing all over the world. This will have the consequence that TV companies have to improve their technical equipment and exchange old with new one. Orad offers adequate products in the graphics segment.

New products, innovation and high quality

The media industry is in constant change. Therefore Orad is forced to invest substantially into research and development in order to come up with new and innovative products.

The company spends annually around 14% of sales on research and development. In fiscal year 2008 we expect the company to invest an amount of circa USD 4 Mio. These investments should finally pay off. Over the years the company has built a large net of advisors and insiders from the TV industry and is therefore in the position to identify new trends and to convert it into a new successful product line. Orads products are of high quality, are characterized by a broad application range and are easy and simple to handle.

Orad High-Tec Systems offers its products including hardware - the so called HDVG (Hi-Definition Digital Video Graphics). By doing so it is possible to combine graphics, video clips and data and to achieve results of a high and excellent quality. Additionally the hardware supports live broadcasts and is very reliable. Furthermore Orads technology supports all "Tracking" technologies.

Improved Distribution

For years Orads weakness was its suboptimal distribution structure. Consequently success was missing till 2005 despite a very innovative and high quality product range. Orad has recognized this weakness and has made changes and improvements. Consequently we expect an above average sales and earnings growth due to the better distribution and marketing strategy.

Overall Orad owns now six sales and marketing offices outside Israel. One office is in Israel. Now the sales marketing and support team has 83 employees. In countries without own offices Orad works with local agents.

In 2008 we expect that the company will focus on the ongoing strongly growing economies in the Emerging Markets. Special focus will be put on South America, Far East, Russia and improving the presence in North America.

Finances

Very good and promising Q1 results 2008

On May 29, 2008 the company reported outstanding first quarter results 2008. Revenues were up 62% reaching USD 7,7 Mio. Net profits increased 714% to USD 952 tsd. Gross margin reached 65%, operating margins were with a 10,5% substantially higher than last year.

Positive results were driven by strong growth in the region "Americas" as well as strong sales gains in its on-air graphics segment.

Cash equivalents and restricted cash increased to USD 14,5 Mio, a very comfortable amount.

Results proved once again that Orad High-Tec Systems is on the right track. They have been and are investing in R&D as well as in the optimization of their distribution network. This now seems to pay off. New applications contribute to the good figures and newly signed projects (among others the European Parliament, Global TV Canada) were realized during Q1 of 2008.

Ongoing Strong Sales growth

We expect that sales will growth strong and above average. For 2008 we expect that sales growth will reach 30% to USD 29,7 Mio. Similar growth rates should be achieved for 2009 and 2010. The company should be able to further gain in market share as we expect for the total market "just" a growth rate in the upper single digit range.

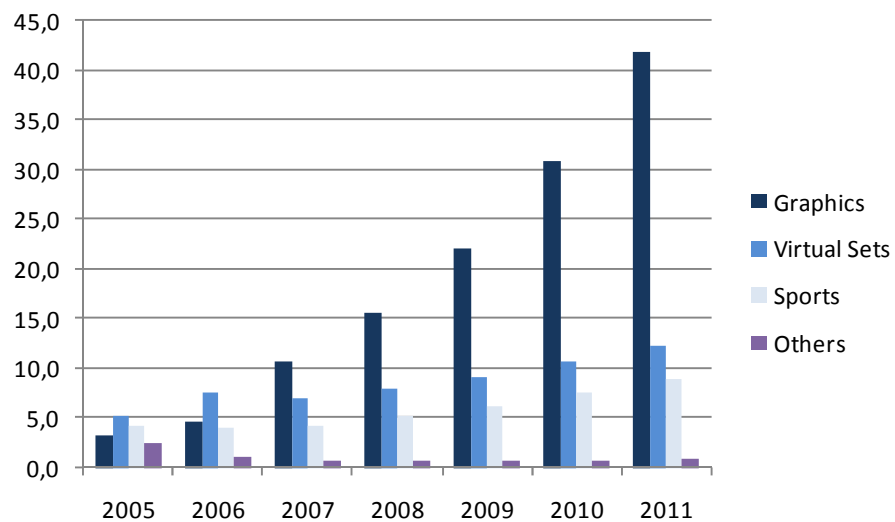
In particular we expect high sales growth in the "Graphics" segment. This unit should grow by 44% in 2008 to USD 15,6 Mio; mainly through orders from the HDTV segment.

Orads market share in the graphics segment is still small (ca 5%) and therefore growth far above market average can be easily achieved.

The "Virtual Sets" segment should show positive results in 2008 in contrast to the weak performance in 2007. The new distribution structure should have a positive effect. In 2008 we expect sales of USD 8 Mio, which is equal to a 15% growth compared to last year's figure

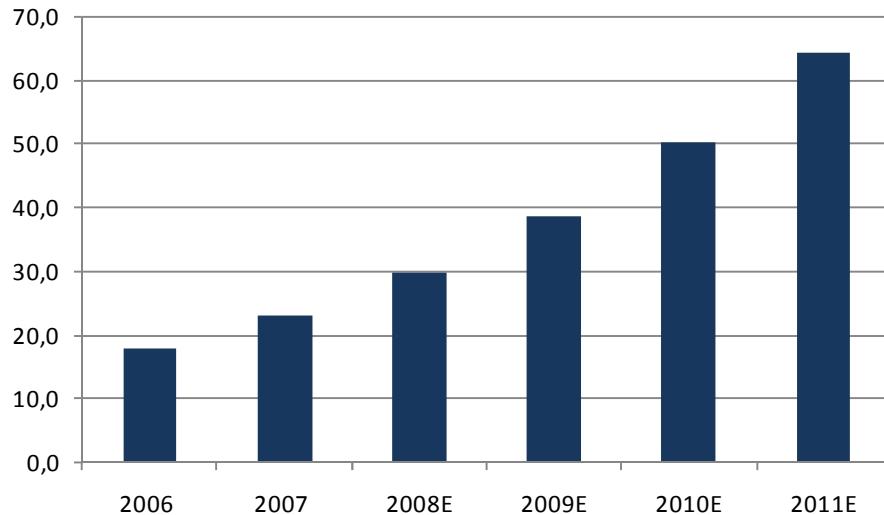
For the "Sports" unit we expect a sales growth of 22% to USD 5,26 Mio. This is mainly due to an attractive product pipeline and already signed deals in the first couple of months of 2008.

Sales trends per segment in USD Mio



Source: VEM Aktienbank AG, Orad High-Tec

Sales development total in USD Mio



Source: VEM Aktienbank AG

Ongoing improved margins

Sales were developing very positively over the last years and were characterized by above average growth rates. The margins development was on the other hand very disappointing. Until 2005 the company reported losses. Not until 2006 Orad High-Tec Systems could record a little profit. Since then the company achieves positive earnings results and an improving margins development. This is due to a better cost control and a more profitable product mix.

We expect an ongoing margins improvement for the next couple of years.

Responsible for this development should be the following facts:

- New products with a higher earnings potential

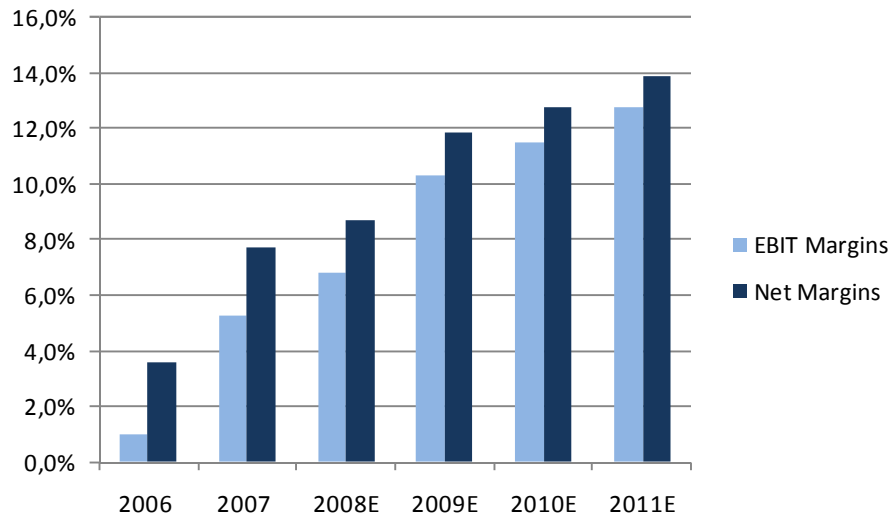
- An increased weight of products sold in the "graphics" segment, which is characterized by higher margins than products of other units.

- A more efficient distribution system

For fiscal year 2008 we expect an operating margin of 6,8% which is an improvement of 1,5% points compared to last year. Due to positive financial results and a tax rate of 0% (due to high accumulated deficits the company does not have to pay taxes) we expect a net margin of 8,7 for 2008.

For 2009 we expect an additional margin improvement. The operative income should reach USD 3,97 Mio in 2009, which is equal to an operating margin of 10,3%. We expect a net margin of 11,8%.

Margin Development %



Source: VEM Aktienbank AG, Orad High-Tec

Attachment – Financials

Profit and Loss Statement

(in Mio USD)	2004	2005	2006	2007	2008E	2009E	2010E	2011E
Sales	15,73	15,40	17,72	22,94	29,73	38,56	50,09	64,07
Growth in %		-2%	15%	29%	30%	30%	30%	28%
Costs of Goods Sold	-6,19	-7,69	-6,90	-7,85	-10,11	-12,34	-16,03	-20,50
in % of Sales	39,3%	50,0%	38,9%	34,2%	34,0%	32,0%	32,0%	32,0%
Gross Profit	9,54	7,71	10,82	15,09	19,62	26,22	34,06	43,57
Gross Margins	60,7%	50,0%	61,1%	65,8%	66,0%	68,0%	68,0%	68,0%
R&D Expenses	-2,844	-2,45	-2,507	-3,207	-4,16	-5,40	-7,01	-8,97
in % of Sales	18,1%	15,9%	14,1%	14,0%	14,0%	14,0%	14,0%	14,0%
Distribution Costs	-8,224	-6,078	-6,631	-8,474	-10,70	-13,49	-17,03	-21,14
in % of Sales	52,3%	39,5%	37,4%	36,9%	36,0%	35,0%	34,0%	33,0%
Administrative Costs	-2,388	-1,754	-1,506	-2,207	-2,7	-3,4	-4,3	-5,3
in % of Sales	15,2%	11,4%	8,5%	9,6%	9,2%	8,7%	8,5%	8,2%
EBIT	-3,92	-2,58	0,17	1,21	2,02	3,97	5,76	8,20
EBIT Margins	-24,9%	-16,7%	1,0%	5,3%	6,8%	10,3%	11,5%	12,8%
Depreciation	1,091	0,623	0,569	0,545	0,545	0,545	0,545	0,545
EBITDA	-2,825	-1,952	0,743	1,751	2,566	4,516	6,305	8,746
EBITDA Margins	-18,0%	-12,7%	4,2%	7,6%	8,6%	11,7%	12,6%	13,7%
Financial Income	0,041	-0,316	0,462	0,569	0,569	0,569	0,569	0,569
EBT	-3,875	-2,891	0,636	1,775	2,590	4,540	6,329	8,770
Taxes	0	0	0	0	0	0	0	0
Tax Rate	0%	0%	0%	0%	0%	0%	0%	0%
Net Profit	-3,875	-2,891	0,636	1,775	2,590	4,540	6,329	8,770
Net Margins	-25%	-19%	4%	8%	8,7%	11,8%	12,6%	14%
EPS	-0,36	-0,27	0,06	0,16	0,23	0,41	0,57	0,79
Number of Shares	10,698	10,781	10,823	10,982	11,084	11,084	11,084	11,084
Retained Earnings/Loss		-63,4	-66,3	-65,6	-63,8	-61,3	-56,7	-50,4
Accumulated Profit/Loss		-66,3	-65,6	-63,8	-61,3	-56,7	-50,4	-41,6

Source: VEM Aktienbank AG

Balance Sheet

(In Mio USD)	2005	2006	2007	2008E	2009E	2010E	2011E
Assets							
Fixed Assets	1,910	1,530	1,753	1,654	1,687	1,894	2,310
Financial Assets	0,820	1,017	1,343	1,34	1,34	1,34	1,34
Long Term Assets	2,730	2,547	3,096	2,997	3,030	3,237	3,653
Inventories	3,280	2,696	2,920	3,07	3,22	3,38	3,55
Trade Receivables							
Trade Receivables from Operatio	3,750	2,422	1,869	2,42	3,14	4,08	5,22
other Receivables	1,220	1,357	1,241	1,61	2,09	2,71	3,47
Cash	5,340	9,662	12,981	17,83	23,73	31,62	42,18
Restricted Cash			1,069				
Current Assets	13,590	16,137	20,080	24,928	32,178	41,789	54,410
TOTAL	16,320	18,684	23,176	27,925	35,208	45,026	58,063
Liabilities and Stockholder´s Equity							
Equity	8,501	9,219	11,1130	13,703	18,244	24,573	33,342
Subscribed Capital	0,03	0,028	0,0290	0,029	0,029	0,029	0,029
Capital Reserves	75,28	75,357	75,4750	75,475	75,475	75,475	75,475
Accumulated Deficit	- 66,26	- 65,619	- 63,8440	- 61,25365	- 56,713	- 50,384	- 41,615
Foreign Currency Translation	- 0,55	- 0,547	- 0,5470	- 0,55	- 0,55	- 0,55	- 0,55
Provisions							
Provisions for Taxes							
other Provisions	1,17	1,503	1,9500	2,53	3,28	4,26	5,45
Liabilities							
Liabilities to Banks	-	-	-	0	0	0	0
Liabilities to Companies	1,26	1,354	2,1150	2,74	3,55	4,62	5,91
other Liabilites	4,18	4,767	5,7180	6,00	6,30	6,60	7,00
Deferred Income	1,21	1,841	2,2800	2,95	3,83	4,98	6,37
TOTAL	16,320	18,684	23,176	27,925	35,208	45,026	58,063

Source: Orad High-Tec Systems, VEM Aktienbank AG

Cash flow Statement

	2008E	2009E	2010E	2011E
Growth				
Sales	29,6%	29,7%	29,9%	27,9%
EBITDA	46,6%	76,0%	39,6%	38,7%
EBIT	67,6%	96,5%	45,0%	42,4%
EBT	45,9%	75,3%	39,4%	38,6%
Net Income	45,9%	75,3%	39,4%	38,6%
Margins				
Gross Margin	66,0%	68,0%	68,0%	68,0%
EBITDA Margin	8,6%	11,7%	12,6%	13,7%
EBIT Margin	6,8%	10,3%	11,5%	12,8%
EBT Margin	6,8%	10,3%	11,5%	12,8%
Net Margin	8,7%	11,8%	12,6%	13,7%
Dividend Yield	0,0%	0,0%	0,0%	0,0%
Balance Sheet Ratios				
ROE	18,9%	24,9%	25,8%	26,3%
ROIC	11,5%	16,2%	17,7%	19,0%
ROCE	11,3%	16,5%	17,7%	18,7%
Debt Ratio	0,0%	0,0%	0,0%	0,0%
Equity Ratio	100,0%	100,0%	100,0%	100,0%
Asset Turnover Ratio	0,94	0,91	0,90	0,91
Per Share				
EPS	0,23	0,41	0,57	0,79
EPS growth	44,6%	75,3%	39,4%	38,6%
DPS	-	-	-	-
DPS growth	-	-	-	-
Book Value	1,00	1,24	1,65	2,22
Market Measures				
P/Sales	1,5	1,2	0,9	0,7
P/Earnings	17,70	10,10	7,25	5,23
P/Book value	4,13	3,35	2,51	1,87
Dividend Yield	0,0%	0,0%	0,0%	0,0%

Source: Orad High-Tec Systems, VEM Aktienbank AG

Key Ratios

	2008E	2009E	2010E	2011E
Growth				
Sales	29,6%	29,7%	29,9%	27,9%
EBITDA	46,6%	76,0%	39,6%	38,7%
EBIT	67,6%	96,5%	45,0%	42,4%
EBT	45,9%	75,3%	39,4%	38,6%
Net Income	45,9%	75,3%	39,4%	38,6%
Margins				
Gross Margin	66,0%	68,0%	68,0%	68,0%
EBITDA Margin	8,6%	11,7%	12,6%	13,7%
EBIT Margin	6,8%	10,3%	11,5%	12,8%
EBT Margin	6,8%	10,3%	11,5%	12,8%
Net Margin	8,7%	11,8%	12,6%	13,7%
Dividend Yield	0,0%	0,0%	0,0%	0,0%
Balance Sheet Ratios				
ROE	18,9%	24,9%	25,8%	26,3%
ROIC	11,5%	16,2%	17,7%	19,0%
ROCE	11,3%	16,5%	17,7%	18,7%
Debt Ratio	0,0%	0,0%	0,0%	0,0%
Equity Ratio	100,0%	100,0%	100,0%	100,0%
Asset Turnover Ratio	0,94	0,91	0,90	0,91
Per Share				
EPS	0,23	0,41	0,57	0,79
EPS growth	44,6%	75,3%	39,4%	38,6%
DPS	-	-	-	-
DPS growth	-	-	-	-
Book Value	1,29	1,70	2,27	3,06
Market Measures				
P/Sales	0,9	0,7	0,5	0,4
P/Earnings	10,21	5,83	4,18	3,02
P/Book value	1,86	1,41	1,05	0,78
Dividend Yield	0,0%	0,0%	0,0%	0,0%

Source: VEM Aktienbank AG

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- 2) regularly hold shares of the company that is the subject of the analysis in its trading portfolio,
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VEM Aktienbank AG, Munich („VEM“)

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Details of material sources of information:

This financial analysis is based on public available information (Company presentations, Annual Reports, Press Informations etc.). Moreover, management interviews for more detailed information about the current business development were held with the company.

Summary of the valuation methods and principles applied in the preparation of the financial analysis:

The valuations underlying the ratings of the securities analysed by VEM are based on generally accepted and widely used methods of fundamental valuation, such as DCF model, Peer group comparison, NAV valuation and - where applicable - a Sum-of-the-parts model. VEM applies an absolute equity rating system with 3 grades. Each grade complies with following expectations (Ratings refer to time period of 6 months):

BUY: The expected return (composed of the projected change of the share price and the anticipated dividend yield) is at least + 10 %.

HOLD: The expected return (composed of the projected change of the share price and the anticipated dividend yield) ranges from - 10 % and + 10 %.

SELL: The expected return (composed of the projected change of the share price and the anticipated dividend yield) is worse than - 10 %.

For further important details concerning the valuations methods applied in the preparation of this analysis, the meaning of the specific investment recommendation (including the recommended investment period, the risks associated with the investment and the sensitivity of the valuation parameters) please see the Section “Valuation” in this analysis.

Additional important information:

Date of first publication of this analysis by VEM : 10 June, 2008

Date and Time of relevant Share Price (see first page): 10 June, 2008, 5:30 P.M. CEST

A schedule for an update of this Analysis is not appointed yet. VEM reserves to update any individual analysis without prior notice.

VEM has not published a financial analysis in the twelve months prior to the publication of the present financial analysis that covers the same financial instruments or issuers and that contains a different specific investment recommendation.