



Orad Hi-Tec Systems Ltd.

Results for the first nine months and third quarter of 2007

Tel Aviv, November 12, 2007 – Orad Hi-Tec Systems Ltd. (Frankfurt - Prime Standard; London - AIM. Symbol: OHT), a leading developer, marketer and distributor of state-of-the-art, 3D graphical solutions for the broadcasting and advertising markets, today announces record results for the nine months ended September 30, 2007:

- **Sales in Q3/07 increased by 46% to a quarterly record of USD6.1 millions compared to USD4.2 million in Q3/06**
- **Sales in the first nine months of 2007 increased by 23% to a record of USD16 million compared with USD13.1 million in the first nine months of 2006.**
- **Eight consecutive quarters of profitability and positive cash flow.**
- **Net profits in Q3/07 increased by 1,050% to USD621 thousand compared to USD54 thousand in Q3/06**
- **Net profits in the first nine months of 2007 increased by 137% to USD1,070 thousand compared with USD450 thousand in the first nine months of 2006.**
- **Cash increased by USD 3.6 millions in the first nine months of 2007 and by USD1.8 million in Q3/07 reaching to USD13.3 million.**
- **Gross margin has improved to 67% in the nine months of 07 and to 64% in Q3\07 compared to 60% in the first nine months of 06 and 62% in Q3/06.**

“We are proud again to present another record quarter. The result for the third quarter of 2007 and the first nine months of 2007 shows a significant improvement in all major aspects: sales, gross margin, operational expenses, net profit and cash flow. The increase in profitability is higher than the increase in the sales as Orad has managed to improve gross margins by reducing material costs whilst improving production efficiencies. The net profit also improved due to efficiencies achieved in managing operational expenses” commented Avi Sharir President and CEO of Orad and add, “The strong cash flow is an evidence of our increased backlog with higher amount of deferred revenues recognizable in the near future”.

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Financial and Operational highlights for the three and nine months ended September 30, 2007 compared to the same periods ended September 30, 2006:

Revenues, net profit and cash status:

Revenues in Q3\07 increased by 46% to USD6.1 million compared to USD4.2 million during Q3\2006. Revenues in the nine months of 2007 increased by 23% to USD16 million compared to USD13.1 million in the nine months of 2006.

Net profit in the third quarter of 2007 was USD0.6 million compared to net profit of USD0.05 in the third quarter of 2006 an improvement of 1,050%. The net profit for the nine months of 07 improved by 137% to USD1million compared to USD0.45 million in the first nine months of 06.

In the first nine months of 2007 cash, cash equivalents and restricted cash increased to USD13.3 million. The table below reflects the trend in the last four quarters and over the last two years:

	<u>Q1-3/05</u>	<u>Q1-3/06</u>	<u>Q1-3/07</u>	
Revenue	10,686	13,112	16,065	
Gross Profit	4,992	7,901	10,742	
Net profit	(3,147)	450	1,070	
Cash status	4,964	8,940	13,306	

	<u>Q4\06</u>	<u>Q1\07</u>	<u>Q2\07</u>	<u>Q3\07</u>
Revenue	4,607	4,743	5,194	6,128
Gross Profit	2,961	3,221	3,603	3,918
Net profit	185	117	332	621
Cash status	9,662	10,629	11,443	13,306

Gross Margin

Gross margin for the third quarter of 2007 was 64%, compared to 62% in the third quarter of 2006, mainly as a result of increasing in sales volumes and improved efficiencies together with a different sales mix.

Gross margin in the first nine months of 2007 improved significantly to 67% compared to 60% in the first nine months of 2006. This is a result of a decrease in the cost of materials, increased sales volumes and a different sales mixture. .

Operational expenses:

Operational expenses in Q3/07 were stable compared to the second quarter of 2007. Q3/07 operational expenses reflected a much lower percentage of sales, compared to previous quarter and compared to Q3/06. Orad has efficiently managed to increase its sales volume with much lower increase in operational expenses. The result is a much higher profitability.

	<u>Q3\06</u>	<u>Q3\07</u>	<u>Q2\07</u>	<u>Q1-3\06</u>	<u>Q1-3\07</u>
Research and Development	625	696	774	1,847	2,246
Sales and Marketing	1,602	2,327	2,048	4,791	6,279
<u>General and Administrative</u>	<u>376</u>	<u>498</u>	<u>556</u>	<u>1,145</u>	<u>1,544</u>
<u>Total Operating expenses:</u>	<u>2,603</u>	<u>3,521</u>	<u>3,378</u>	<u>7,783</u>	<u>10,069</u>

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CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands, except share and per share data

	<u>December 31, 2006</u>	<u>September 30, 2007</u> <u>Unaudited</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 9,091	\$ 12,250
Restricted cash	571	1,056
Trade receivables, net	2,422	1,483
Other accounts receivable and prepaid expenses	837	1,095
Inventories	2,696	2,978
Work in process, net of advances from customers*)	520	280
<u>Total current assets</u>	<u>16,137</u>	<u>19,142</u>
SEVERANCE PAY FUND	1,017	1,184
PROPERTY AND EQUIPMENT, NET	1,530	1,525
<u>Total assets</u>	<u>\$ 18,684</u>	<u>\$ 21,851</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 1,354	\$ 2,049
Deferred revenues	1,841	1,794
Other accounts payable and accrued expenses*)	4,767	5,915
<u>Total current liabilities</u>	<u>7,962</u>	<u>9,758</u>
ACCRUED SEVERANCE PAY	1,503	1,721
SHAREHOLDERS' EQUITY:		
Share capital	28	29
Additional paid-in capital	75,357	75,439
Foreign currency translation adjustments	(547)	(547)
Accumulated deficit	(65,619)	(64,549)
<u>Total shareholders' equity</u>	<u>9,219</u>	<u>10,372</u>
<u>Total liabilities and shareholders' equity</u>	<u>\$ 18,684</u>	<u>\$ 21,851</u>

*) Reclassified

CONSOLIDATED STATEMENTS OF INCOME

U.S. dollars in thousands, except share and per share data

	Year ended December 31, 2006	Nine months ended September 30,		Three months ended September 30,	
		2006	2007	2006	2007
		Unaudited			
Revenues	\$ 17,719	\$ 13,112	\$ 16,065	\$ 4,196	\$ 6,128
Cost of sales	6,901	5,210	5,323	1,581	2,210
Gross profit	10,818	7,902	10,742	2,615	3,918
Operating expenses:					
Research and development, net	2,507	1,847	2,246	625	696
Sales and marketing	6,631	4,791	6,279	1,602	2,327
General and administrative	1,506	1,145	1,544	376	498
Total operating expenses	10,644	7,783	10,069	2,603	3,521
Operating income	174	119	673	12	397
Financial income, net	467	335	401	41	225
Other income (expenses), net	(5)	(4)	(4)	1	(1)
Net income	\$ 636	\$ 450	\$ 1,070	\$ 54	\$ 621
Basic net earnings per share	\$ 0.06	\$ 0.04	\$ 0.1	\$ 0.01	\$ 0.06
Weighted average number of shares used in computing basic net earnings per share (in thousands)	10,791	10,791	10,821	10,791	10,821
Diluted net earnings per share	\$ 0.06	\$ 0.04	\$ 0.1	\$ 0.01	\$ 0.06
Weighted average number of shares used in computing diluted net earnings per share (in thousands)	10,781	10,817	10,991	10,819	10,988

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

U.S. dollars in thousands, except share data

	Number of outstanding Ordinary shares	Share capital	Additional paid-in capital	Foreign currency translation adjustments	Accumulated deficit	Total
Balance as of January 1, 2006	10,790,621	\$ 28	\$ 75,281	\$ (547)	\$ (66,255)	\$ 8,507
Comprehensive income:						
Net income	-	-	-	-	636	636
Issuance of shares upon exercise of employee share options	10,000	*) -	9	-	-	9
Share based compensation	-	-	67	-	-	67
Balance as of December 31, 2006	10,800,621	28	75,357	(547)	(65,619)	9,219
Comprehensive income:						
Net income	-	-	-	-	1,070	1,070
Issuance of shares upon exercise of employee share options	19,929	1	22	-	-	23
Share-based compensation	-	-	60	-	-	60
Balance as of September 30, 2007 (unaudited)	<u>10,820,550</u>	<u>\$ 29</u>	<u>\$ 75,439</u>	<u>\$ (547)</u>	<u>\$ (64,549)</u>	<u>\$ 10,372</u>
Balance as of January 1, 2006	10,790,621	\$ 28	\$ 75,281	\$ (547)	\$ (66,255)	\$ 8,507
Comprehensive income:						
Net income	-	-	-	-	450	450
Share-based compensation	-	-	44	-	-	44
Balance as of September 30, 2006 (unaudited)	<u>10,790,621</u>	<u>\$ 28</u>	<u>\$ 75,325</u>	<u>\$ (547)</u>	<u>\$ (65,805)</u>	<u>\$ 9,001</u>

*) Represents an amount lower than \$ 1.

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31, 2006	Nine months ended September 30,	
		2006	2007
		Unaudited	
<u>Cash flows from operating activities:</u>			
Net income	\$ 636	\$ 450	\$ 1,070
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	569	420	469
Share-based compensation	67	44	60
Decrease in trade receivables, net and other accounts receivable and prepaid expenses	1,214	1,814	681
Decrease (increase) in inventories	29	(37)	(339)
Decrease (increase) in work in process, net of advances from customers*)	(54)	(157)	240
Increase in trade payables, other accounts payable and accrued expenses and accrued severance pay, net*)	807	224	1,894
Increase (decrease) in deferred revenues	640	413	(47)
Other	5	4	4
Net cash provided by operating activities	<u>3,913</u>	<u>3,175</u>	<u>4,032</u>
<u>Cash flows from investing activities:</u>			
Purchase of property and equipment	(146)	(110)	(420)
Proceeds from sale of property and equipment	48	37	9
Decrease (increase) in restricted cash	(71)	250	(485)
Net cash provided by (used in) investing activities	<u>(169)</u>	<u>177</u>	<u>(896)</u>
<u>Cash flows from financing activities:</u>			
Issuance of shares upon exercise of employees share options	9	-	23
Net cash provided by financing activities	<u>9</u>	<u>-</u>	<u>23</u>
Increase in cash and cash equivalents	3,753	3,352	3,159
Cash and cash equivalents at the beginning of the period	<u>5,338</u>	<u>5,338</u>	<u>9,091</u>
Cash and cash equivalents at the end of the period	<u>\$ 9,091</u>	<u>\$ 8,690</u>	<u>\$ 12,250</u>

*) Reclassified.

- a. The Company's shares and options held by members of the Board of Directors and officers of the Company:

	Number of Ordinary shares	Number of share options *)
Avi Sharir	2,143,238	169,253
Moshe Nissim	-	35,000
Ehud Ben-Yair	-	45,000
Orna Nehustan	-	30,000
Dan Falk	-	20,000
Shimon Ravid	-	10,000
Uzi Peled	-	10,000
Daniel Furman	753,300	10,000
Anat Segal	-	20,000

*) Each share option is convertible into one Ordinary share.

- b. As of September 30, 2007, the Company employs 147 employees.
