



Orad Hi-Tec Systems Ltd. ('Orad' or the 'Company')
Results for the first quarter of 2008
Revenues up by 62%, net profits up by 714%

Orad Hi-Tec Systems Ltd. (Frankfurt - Prime Standard; London - AIM. Symbol: OHT), a leading developer, marketer and distributor of state-of-the-art, 3D real-time graphic solutions for the broadcasting markets, today announces its recorded results for the first quarter of 2008.

- **Record revenues and profits with continued positive cash flow.**
- **Revenues increased by 62% to US\$7.7 million compared to US\$ 4.7million in Q1/07 and by 12% compared to Q4/07.**
- **Net profits increased by 714% to US\$ 952 thousand compared to US\$117 thousand in Q1/07 and by 35% compared to Q4/07.**
- **Cash, cash equivalents and restricted cash increased to US\$14.5million**
- **Gross margin remained constant at 65%, in line with the average of 2007.**

Significant improvement of sales in the Americas and continues successful penetration to the On-Air graphics market.

"We are proud to present the results for the first quarter of 2008", said Avi Sharir President and CEO of Orad and continued: "We continue to see the benefits of the company's change in strategy, to secure growth in sales and booking of the On-Air graphics systems and improvement in North American market. Since the beginning of 2008 the company has signed some high profile and high volume projects, such as the graphics systems for the Olympic Games with China's CCTV, and projects with Czech national TV, MTV3 from Finland and others.

The transition from standard definition to high definition and the pressure to reduce production costs is creating a demand for new virtual studios solutions. Since the beginning of 2008, Orad has signed a unique virtual studios contract with Canada's Global TV, with TV Globo from Brazil, the European Parliament and others. Part of the above mentioned projects were realised during Q1 of 2008".

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Orad Hi-Tec Systems Ltd ('Orad' or the 'Company')

Results for the first quarter of 2008

Financial and Operational highlights for the first quarter of 2008 compared to the first quarter of 2008 and fourth quarter of 2007:

Revenues, net profit and cash status:

Revenues in Q1\08 increased by 62% to US\$7.7 million compared to US\$4.7million on Q1\2007 and by 12% compared Q4/07. This is mainly due to the strong back-log, the on-going penetration to the On- Air graphics market and the winning of several large contracts.

Net profit increased dramatically by 714% to US\$952 thousand compared to Q1/07 and by 35% compared to Q4/07.

In the first quarter of 2008 cash, cash equivalents and restricted cash increased to US\$14.5 million.

The table below reflects the trend in the last five quarters:

(in thousand USD)	<u>Q1\07</u>	<u>Q2/07</u>	<u>Q3/07</u>	<u>Q4/07</u>	<u>Q1/08</u>
Revenue	4,743	5,193	6,128	6,876	7,668
Gross Profit	3,221	3,602	3,917	4,354	5,005
Net profit	117	332	621	706	952
Cash status	10,629	11,443	13,306	14,050	14,543

Gross Margin

Gross margin for the first quarter of 2008 remained constant at 65% compared to the average gross margin in 2007.

Operational expenses:

Operational expenses in Q1/08 increased to US\$4.1 million compared to US\$3.1 million in Q1/07. This is mainly due to the increase in the sales and marketing efforts resulting from increasing territory coverage and the continued R&D effort deployed to release new applications to the market. The decline in the USD in all markets also put some pressure on the cost structure of the Company. However, the company also benefits from the fact that most of its sales are in Europe.

(in thousand USD)	<u>Q1/07</u>	<u>Q4/07</u>	<u>Q1/08</u>
Research and Development	776	961	964
Sales and Marketing	1,904	2,195	2,471
General and Administrative	<u>491</u>	<u>663</u>	<u>745</u>
Total Operating Expenses:	<u>3,171</u>	<u>3,819</u>	<u>4,180</u>

CONSOLIDATED BALANCE SHEETS

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

	March 31, 2008 <u>Unaudited</u>	December 31, 2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 13,454	\$ 12,981
Restricted cash	1,089	1,069
Trade receivables, net	2,585	1,869
Other accounts receivable and prepaid expenses	1,582	1,163
Inventories	2,963	2,920
Work in process, net of advances from customers	-	78
<u>Total</u> current assets	<u>21,673</u>	<u>20,080</u>
SEVERANCE PAY FUND	1,428	1,343
PROPERTY AND EQUIPMENT, NET	1,771	1,753
<u>Total</u> assets	<u>\$ 24,872</u>	<u>\$ 23,176</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 2,447	\$ 2,115
Deferred revenues	1,964	2,280
Other accounts payable and accrued expenses	6,276	5,718
<u>Total</u> current liabilities	<u>10,687</u>	<u>10,113</u>
ACCRUED SEVERANCE PAY	2,065	1,950
<u>Total</u> liabilities	<u>12,752</u>	<u>12,063</u>
SHAREHOLDERS' EQUITY:		
Share Capital	29	29
Additional paid-in capital	75,530	75,475
Foreign currency translation adjustments	(547)	(547)
Accumulated deficit	(62,892)	(63,844)
<u>Total</u> shareholders' equity	<u>12,120</u>	<u>11,113</u>
<u>Total</u> liabilities and shareholders' equity	<u>\$ 24,872</u>	<u>\$ 23,176</u>

CONSOLIDATED STATEMENTS OF OPERATIONS**U.S. dollars in thousands, except share and per share data**

	Three months ended March 31,		Year ended December 31,
	2008	2007	2007
	Unaudited		
Revenues:			
Sales	\$ 7,668	\$ 4,743	\$ 22,940
Cost of sales	<u>2,663</u>	<u>1,522</u>	<u>7,846</u>
Gross profit	5,005	3,221	15,094
Operating expenses:			
Research and development, net	964	776	3,207
Sales and marketing	2,471	1,904	8,474
General and administrative	<u>745</u>	<u>491</u>	<u>2,207</u>
<u>Total operating expenses</u>	<u>4,180</u>	<u>3,171</u>	<u>13,888</u>
Operating income	825	50	1,206
Financial income, net	127	70	573
Other expenses, net	<u>-</u>	<u>3</u>	<u>(4)</u>
Net income	<u>\$ 952</u>	<u>\$ 117</u>	<u>\$ 1,775</u>
Basic net earnings per share	<u>\$ 0.086</u>	<u>\$ 0.01</u>	<u>\$ 0.16</u>
Weighted average number of shares used in computing basic net earnings per share (in thousands)	<u>10,821</u>	<u>10,802</u>	<u>10,821</u>
Diluted net earnings per share	<u>\$ 0.086</u>	<u>\$ 0.01</u>	<u>\$ 0.16</u>
Weighted average number of shares used in computing diluted net earnings per share (in thousands)	<u>11,084</u>	<u>10,971</u>	<u>10,982</u>

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, 2007	10,800,621	\$ 28	\$ 75,357	\$ (547)	\$ (65,619)	\$ 9,219
Comprehensive income:						
Net income	-	-	-	-	1,775	1,775
Issuance of shares upon exercise of employee share options	19,929	1	22	-	-	23
Share based compensation	-	-	96	-	-	96
Balance as of December 31, 2007	10,820,550	29	75,475	(547)	(63,844)	11,113
Comprehensive income:						
Net income					952	952
Issuance of shares upon exercise of employee share options						
Share-based compensation	-	-	55	-	-	55
Balance as of March 31, 2008 (unaudited)	<u>10,820,550</u>	<u>29</u>	<u>75,530</u>	<u>(547)</u>	<u>(62,892)</u>	<u>12,120</u>
Balance as of January 1, 2007	10,800,621	28	75,357	(547)	(65,619)	9,219
Comprehensive income:						
Net income	-	-	-	-	117	117
Issuance of shares upon exercise of employee share options	1,500	*) -	3	-	-	3
Share-based compensation	-	-	20	-	-	20
Balance as of March 31, 2007 (unaudited)	<u>10,802,121</u>	<u>28</u>	<u>75,380</u>	<u>(547)</u>	<u>(65,502)</u>	<u>9,359</u>

*) Represent an amount lower than \$ 1.

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Three months ended		Year ended
	March 31,		December 31,
	2008	2007	2007
	Unaudited		
<u>Cash flows from operating activities:</u>			
Net income	\$ 952	\$ 117	\$ 1,775
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	158	142	545
Share-based compensation	55	20	96
Increase (decrease) in trade receivables, net	(716)	435	553
Decrease in other accounts receivable and prepaid expenses	(419)	(122)	(326)
Increase in inventories	(43)	(21)	(384)
Decrease in work in process, net of advances from customers	15	290	442
Increase (decrease) in trade payables	332	(334)	761
Increase in other accounts payable and accrued expenses	621	395	951
Increase in accrued severance pay, net	30	29	121
Increase (decrease) in deferred revenues	(316)	81	439
Other	-	3	-
Net cash provided by in operating activities	<u>669</u>	<u>1,035</u>	<u>4,973</u>
<u>Cash flows from investing activities:</u>			
Purchase of property and equipment	(176)	(80)	(656)
Proceeds from sale of property and equipment	-	9	48
Decrease (increase) in restricted cash	(20)	(511)	498
Net cash provided by (used) investing activities	<u>(196)</u>	<u>(582)</u>	<u>1,106</u>
<u>Cash flows from financing activities:</u>			
Issuance of shares upon exercise of employees share options	-	3	23
Net cash provided by financing activities	<u>-</u>	<u>3</u>	<u>23</u>
Increase in cash and cash equivalents	473	456	3,890
Cash and cash equivalents at the beginning of the period	<u>12,981</u>	<u>9,091</u>	<u>9,091</u>
Cash and cash equivalents at the end of the period	<u>\$ 13,454</u>	<u>\$ 9,547</u>	<u>\$ 12,981</u>
<u>Non-cash transactions:</u>			
Classification between property and equipment, and inventories, net	<u>-</u>	<u>-</u>	<u>160</u>

ORAD HI-TEC SYSTEMS LTD. AND ITS SUBSIDIARIES

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

	<u>Number of Ordinary shares</u>	<u>Number of share options *)</u>
Avi Sharir	2,143,238	269,253
Moshe Nissim	-	40,000
Ehud Ben-Yair	-	60,000
Orna Nehustan	-	45,000
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 March 31, 2008, the Company employs 159 employees.
