



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

Results for the first six months and the second quarter of 2011

- Revenues for Q2/11 increased by 37% to US\$8.7 million compared to US\$6.3 million in Q2/10. Revenues for H1/2011 increased by 25% to US\$16.7 million compared to US\$13.3 million in H1/2010.
- Gross profit increased by 39% to US\$6.1 million in Q2/11 compared to US\$4.4 million in Q2/10. Gross profit increased by 22% to US\$11.6 million in H1/11 compared to US\$9.6 million in H1/10.
- Net profit increased by 379% to US\$ 0.9 million in Q2/11 compared to US\$0.2 million in Q2/2010. Net profit increased by 60% to US\$1.5 million in H1/11 compared to US\$0.9 million in H1/10.
- Cash balance at the end of Q2/2011 was US\$17.8 million represent strong cash flow from operating activities of US\$1.3 million

"We are very proud to present the results for the second quarter and the first six months of 2011, said Avi Sharir, Orad's President and Chief Executive Officer. Mr. Sharir also commented: as we indicated at the end of Q1/11 this year started in a positive direction for all parameters. Revenues grew in line with our expectations, we improved the gross margin and the net profits. Strong cash flow and increased back-log give me confidence that 2011 will be a very successful year for Orad. On July 2011 we acquired control in IBIS, a provider of MAM solution and fast turnaround solution for sports production, as part of our long term strategy to grow more organically and acquire complementary technologies. In the coming IBC show we will present a joint solution that will enable our server to use the fast turnaround capabilities. We believe that this will increase the value offering of our server product.

Financial analysis of Q2/11 compared to Q2/10 and Q1/11:

- Revenues for Q2/11 were US\$8.7million an increase of 37% compared to US\$6.3millions in Q2/10 and an increase of 9% compared to US\$8 million in Q1/11
- Gross margin for Q2/2011 improved to 70% compared to 68% in Q1/11 and the same as in Q2/10.
- Gross profit for Q2/11 improved by 12% to US\$6.1 million compared to US\$5.5 million in Q1/11 and an improvement of 39% compared to US\$4.4 million in Q2/10.
- Net Profit in Q2/11 increased by 35% to US\$ 0.9M compared to net profit of US\$0.6 million in Q1/11 and an improvement of 379% compared to US\$0.2 million in Q2/10.

Financial analysis of H1/11 compared to H1/10:

- Revenues in H1/11 increased by 25% to US\$16.7 million compared to US\$13.3 million in H1/10. The improvement was in all product segments and in all territories.
- Gross margin in H1/11 is 70% compared to 71% in H1/10 and aligned with the average of 2010 and according to our expectations for 2011.
- Gross profit in H1/11 increased by 22% to US\$11.6 million compared to US\$9.6 million in H1/10.
- Net profit in H1/11 increased by 60% to US\$1.5 million compared to US\$0.9 million in H1/10.
- Cash and cash equivalents at the end of June 2011 were US\$17.8 million. During H1/11 Orad distributed a dividend in the amount of US\$0.9 million.

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ORAD HI-TEC SYSTEMS LTD. AND ITS SUBSIDIARIES

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2011

U.S. DOLLARS IN THOUSANDS

UNAUDITED

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CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	June 30, 2011	December 31, 2010
	Unaudited	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 17,609	\$ 18,912
Restricted cash	233	214
Trade receivables (net of allowance for doubtful accounts of \$ 217 and \$ 208 at June 30, 2011 and December 31, 2010, respectively)	4,098	3,256
Other accounts receivable and prepaid expenses	1,631	1,622
Inventories	3,724	3,146
<u>Total current assets</u>	<u>27,295</u>	<u>27,150</u>
SEVERANCE PAY FUND	2,550	2,324
PROPERTY AND EQUIPMENT, NET	1,115	1,132
<u>Total assets</u>	<u>\$ 30,960</u>	<u>\$ 30,606</u>

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

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

	<u>June 30, 2011</u>	<u>December 31, 2010</u>
	<u>Unaudited</u>	
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 3,070	\$ 3,155
Deferred revenues	1,456	1,509
Other accounts payable and accrued expenses	<u>3,861</u>	<u>4,490</u>
<u>Total current liabilities</u>	<u>8,387</u>	<u>9,154</u>
ACCRUED SEVERANCE PAY	<u>3,350</u>	<u>2,991</u>
<u>Total liabilities</u>	<u>11,737</u>	<u>12,145</u>
EQUITY:		
Share capital -		
Ordinary shares of NIS 0.01 par value -		
Authorized: 27,000,000 shares as of June 30, 2011 and		
December 31, 2010; Issued: 11,749,304 shares as of June 30,		
2011 and December 31, 2010; Outstanding: 10,978,621 as of		
June 30, 2011 and December 31, 2010	30	30
Additional paid-in capital	76,628	76,366
Accumulated other comprehensive income	(633)	(547)
Accumulated deficit	<u>(56,802)</u>	<u>(57,388)</u>
<u>Total equity</u>	<u>19,223</u>	<u>18,461</u>
<u>Total liabilities and equity</u>	<u>\$ 30,960</u>	<u>\$ 30,606</u>

The accompanying notes are an integral part of the consolidated financial statements.

August 16, 2011
Date of approval of the
financial statements

Avi Sharir
Director and
Chief Executive Officer

Ehud Ben Yair
Chief Financial Officer

ORAD HI-TEC SYSTEMS LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

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

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2011	2010	2011	2010	2010
	<u>Unaudited</u>				
Revenues	\$ 16,726	\$ 13,343	\$ 8,705	\$ 6,343	\$ 29,159
Cost of sales	5,105	3,788	2,576	1,933	8,779
Gross profit	11,621	9,555	6,129	4,410	20,380
Operating expenses:					
Research and development, net	2,446	2,014	1,143	977	4,297
Sales and marketing	6,147	4,892	3,296	2,592	10,092
General and administrative	1,767	1,333	887	693	2,902
<u>Total operating expenses</u>	<u>10,360</u>	<u>8,239</u>	<u>5,326</u>	<u>4,262</u>	<u>17,291</u>
Operating income	1,261	1,316	803	148	3,089
Financial income (expenses), net	236	(398)	55	24	(369)
Other income, net	-	14	1	6	13
Net income	<u>\$ 1,497</u>	<u>\$ 932</u>	<u>\$ 859</u>	<u>\$ 178</u>	<u>\$ 2,733</u>
Basic net earnings per share	<u>\$ 0.14</u>	<u>\$ 0.09</u>	<u>\$ 0.08</u>	<u>\$ 0.02</u>	<u>\$ 0.25</u>
Weighted average number of shares used in computing basic net earnings per share (in thousands)	<u>10,989</u>	<u>10,823</u>	<u>10,999</u>	<u>10,833</u>	<u>10,850</u>
Diluted net earnings per share	<u>\$ 0.13</u>	<u>\$ 0.08</u>	<u>\$ 0.08</u>	<u>\$ 0.02</u>	<u>\$ 0.25</u>
Weighted average number of shares used in computing diluted net earnings per share (in thousands)	<u>11,172</u>	<u>10,984</u>	<u>11,182</u>	<u>11,019</u>	<u>10,999</u>

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

	Number of outstanding Ordinary shares	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total comprehensive income	Total
Balance as of January 1, 2010	10,820,550	\$ 29	\$ 75,917	\$ (547)	\$ (58,256)		\$ 17,143
Net income	-	-	-	-	2,733	\$ 2,733	2,733
Issuance of shares upon exercise of employee share options	158,071	1	208	-	-	-	209
Distribution of earnings to shareholders (\$ 0.17 per share)	-	-	-	-	(1,865)	-	(1,865)
Stock-based compensation	-	-	241	-	-	-	241
Total comprehensive income						<u>\$ 2,733</u>	
Balance as of December 31, 2010	10,978,621	30	76,366	(547)	(57,388)		18,461
Net income	-	-	-	-	1,497	\$ 1,497	1,497
Issuance of shares upon exercise of employee share options	51,133	-	138	-	-	-	138
Unrealized loss on forward and options contracts, net	-	-	-	(86)	-	-	(86)
Distribution of earnings to shareholders (\$ 0.082 per share)	-	-	-	-	(911)	-	(911)
Stock-based compensation	-	-	124	-	-	-	124
Total comprehensive income						<u>\$ 1,497</u>	
Balance as of June 30, 2011 (unaudited)	<u>11,029,754</u>	<u>30</u>	<u>76,628</u>	<u>(633)</u>	<u>56,802</u>		<u>19,223</u>

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

	Number of outstanding Ordinary shares	Share capital	Additional paid-in capital	Foreign currency translation adjustments	Accumulated deficit	Total comprehensive income	Total
Balance as of January 1, 2010	10,820,550	\$ 29	\$ 75,917	\$ (547)	\$ (58,256)		\$17,143
Net income	-	-	-	-	932	\$ 932	932
Issuance of shares upon exercise of employee share options	57,500	-	93	-	-	-	93
Distribution of earnings to shareholders (\$ 0.17 per share)	-	-	-	-	(1,865)	-	(1,865)
Stock-based compensation	-	-	119	-	-	-	119
Total comprehensive income						<u>\$ 932</u>	
Balance as of June 30, 2010 (unaudited)	<u>10,878,050</u>	<u>\$ 29</u>	<u>\$ 76,129</u>	<u>(547)</u>	<u>\$ (59,189)</u>		<u>\$16,422</u>

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Six months ended June 30,		Year ended December 31,
	2011	2010	2010
	Unaudited		
<u>Cash flows from operating activities:</u>			
Net income	\$ 1,497	\$ 932	\$ 2,733
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	327	367	723
Share-based compensation	124	119	241
Decrease (increase) in trade receivables, net and other accounts receivable and prepaid expenses	(851)	242	(417)
Increase in inventories	(710)	(336)	(1,395)
Increase (decrease) in trade payables and other accounts payable and accrued expenses and accrued severance pay, net	(667)	687	1,773
Decrease in deferred revenues	(53)	(369)	(15)
Revaluation of restricted cash	2	15	55
Net cash provided by (used in) operating activities	<u>(335)</u>	<u>1,657</u>	<u>3,698</u>
<u>Cash flows from investing activities:</u>			
Purchase of property and equipment	(178)	(118)	(258)
Proceeds from sale of property and equipment	-	6	6
Decrease (increase) in restricted cash	(17)	(20)	173
Net cash used in investing activities	<u>(195)</u>	<u>(132)</u>	<u>(79)</u>
<u>Cash flows from financing activities:</u>			
Issuance of shares upon exercise of employee share options	138	93	209
Distribution of earnings to shareholders	(911)	(1,492)	(1,865)
Net cash used in finance activities	<u>(773)</u>	<u>(1,399)</u>	<u>(1,656)</u>
Increase (decrease) in cash and cash equivalents	(1,303)	126	1,963
Cash and cash equivalents at the beginning of the period	<u>18,912</u>	<u>16,949</u>	<u>16,949</u>
Cash and cash equivalents at the end of the period	<u>\$ 17,609</u>	<u>\$ 17,075</u>	<u>\$ 18,912</u>

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Six months ended		Year ended
	June 30,		December 31,
	2011	2010	2010
	Unaudited		
<u>Non-cash transactions:</u>			
Classification between property and equipment and inventories, net	<u>\$ 132</u>	<u>\$ 5</u>	<u>\$ 161</u>
Dividend withholding taxes	<u>\$ -</u>	<u>\$ 373</u>	<u>\$ -</u>
Unrealized gain on call and put options contracts, net	<u>\$ 86</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the consolidated financial statements.

- 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	2,227,559	285,714
Moshe Nissim	-	20,000
Ehud Ben-Yair	-	75,000
Orna Nehustan	-	75,000
Dan Falk	-	30,000
Shimon Ravid	-	20,000
Uzi Peled	-	20,000
Daniel Furman	768,300	20,000
Jackie Goren	-	10,000

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

- b. As of June 30, 2011, the Company employs 213 employees.
