



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

Results for the third quarter and for the nine months of 2011

Orad Hi-Tec Systems Ltd.(Frankfurt - Prime Standard; Symbol: OHT), a leading developer, marketer and distributor of state-of-the-art, 3D real-time graphic and video server solutions for the broadcasting markets, announces today its results for the three months ending September 2011.

Main Highlights:

- **Revenues** for the 9 months of 2011 increased by 22% to \$25.7 million compared to \$21.0 million in 9 months of 2010. Revenues for the three months increased by 17% to \$9.0 million in Q3/11 compared to \$7.7 million in Q3/10
- **Gross profit** for the 9 months of 2011 increased by 19% to \$18.1 million compared to \$15.2 million in 9 months of 2010. Gross profit for the three months increased by 15% to \$6.4 million in Q3/11 compared to \$5.6 million in Q3/10
- **Operating Income** for the 9 months of 2011 of \$2.3 million, same as in the 9 months of 2010. Operating Income for the three months of \$1.0 million, same as in Q3/10
- **Net profit** for the 9 months of 2011 increased by 15% to \$2.3 million compared to \$2.0 million in 9 months of 2010. Net profit for the three months totaled \$0.8 million compared to \$1.1 million in Q3/10
- On August 1, 2011 the Company successfully closed the investment in IBIS, a fast turnaround MAM provider. The Company invested \$2.1M in cash against 63.4%, on a fully diluted basis, with an incentive formula to increase its holdings to 100%. IBIS is fully consolidated from August 1, 2011.
- Cash and cash equivalents at the end of September 2011 was \$13.4 million.
- During the 9 months of 2011 Orad distributed a dividend in the amount of \$5 million.

Management Comments

Mr. Avi Sharir, President and CEO of Orad commented, "We are very pleased with our business performance and strong financial results in the quarter. This quarter was our best quarter ever with revenues reaching above \$9M. During the quarter we distributed a large dividend of \$4.05 million. In this quarter we increased our sales of servers, one of our major growth engines. During the quarter, we participate in IBC 2011 in Amsterdam, the industry's largest tradeshow in Europe, and presented the Company and IBIS' first joint solution. The joint solution will enable our servers to use fast turnaround capabilities, and we believe that this will increase the value offering of our server products.

I look forward to enjoying the continuing fruits of our efforts in the coming quarters and years ahead. "

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ORAD HI-TEC SYSTEMS LTD. AND ITS SUBSIDIARIES

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2011

U.S. DOLLARS IN THOUSANDS

UNAUDITED

INDEX

	<u>Page</u>
Consolidated Balance Sheets	2 - 3
Consolidated Statements of Income	4
Consolidated Statements of Changes in Equity	5 - 6
Consolidated Statements of Cash Flows	7 - 8
Notes to Consolidated Financial Statements	9

CONSOLIDATED BALANCE SHEETS**U.S. dollars in thousands**

	<u>September 30, 2011</u>	<u>December 31, 2010</u>
	<u>Unaudited</u>	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 13,113	\$ 18,912
Restricted cash	317	214
Trade receivables (net of allowance for doubtful accounts of \$ 249 and \$ 208 at September 30, 2011 and December 31, 2010, respectively)	4,728	3,256
Other accounts receivable and prepaid expenses	1,875	1,622
Inventories	3,811	3,146
<u>Total current assets</u>	<u>23,844</u>	<u>27,150</u>
SEVERANCE PAY FUND	2,389	2,324
PROPERTY AND EQUIPMENT, NET	1,136	1,132
INTANGIBLE ASSETS, NET	487	-
OTHER LONG TERM ASSETS	285	-
GOODWILL	1,346	-
<u>Total assets</u>	<u>\$ 29,487</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**

	September 30, 2011	December 31, 2010
	Unaudited	
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 2,688	\$ 3,155
Deferred revenues	2,258	1,509
Other accounts payable and accrued expenses	5,007	4,490
<u>Total current liabilities</u>	<u>9,953</u>	<u>9,154</u>
ACCRUED SEVERANCE PAY	3,181	2,991
<u>Total liabilities</u>	<u>13,134</u>	<u>12,145</u>
EQUITY:		
Share capital -		
Ordinary shares of NIS 0.01 par value -		
Authorized: 27,000,000 shares as of September 30, 2011 and December 31, 2010; Issued: 11,749,304 shares as of September 30, 2011 and December 31, 2010; Outstanding: 11,085,147 as of September 30, 2011 and 10,978,621 as of December 31, 2010	31	30
Additional paid-in capital	76,822	76,366
Accumulated other comprehensive loss	(645)	(547)
Non-controlling Interest	174	-
Accumulated deficit	(60,029)	(57,388)
<u>Total equity</u>	<u>16,353</u>	<u>18,461</u>
<u>Total liabilities and equity</u>	<u>\$ 29,487</u>	<u>\$ 30,606</u>

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

<u>November 13, 2011</u> Date of approval of the financial statements	<u>Avi Sharir</u> Director and Chief Executive Officer	<u>Ilan Sidi</u> Chief Financial Officer
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ORAD HI-TEC SYSTEMS LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

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

	Nine months ended		Three months ended		Year ended
	September 30,		September 30,		December 31,
	2011	2010	2011	2010	2010
Unaudited					
Revenues	\$ 25,738	\$ 21,021	\$ 9,012	\$ 7,678	\$ 29,159
Cost of revenues	7,686	5,857	2,581	2,069	8,779
Gross profit	18,052	15,164	6,431	5,609	20,380
Operating expenses:					
Research and development, net	3,764	3,092	1,318	1,078	4,297
Sales and marketing	9,190	7,596	3,043	2,704	10,092
General and administrative	2,773	2,126	1,006	793	2,902
Intangible assets amortization	14	-	14	-	-
Total operating expenses	15,741	12,814	5,381	4,575	17,291
Operating income	2,311	2,350	1,050	1,034	3,089
Financial income (expenses), net	10	(337)	(226)	62	(369)
Other income (expenses), net	(1)	13	(1)	-	13
Net income	<u>\$ 2,320</u>	<u>\$ 2,026</u>	<u>\$ 823</u>	<u>\$ 1,096</u>	<u>\$ 2,733</u>
Basic net earnings per share attributable to the Company's shareholders	<u>\$ 0.21</u>	<u>\$ 0.19</u>	<u>\$ 0.07</u>	<u>\$ 0.10</u>	<u>\$ 0.25</u>
Weighted average number of shares used in computing basic net earnings per share (in thousands)	<u>11,034</u>	<u>10,835</u>	<u>11,048</u>	<u>10,841</u>	<u>10,850</u>
Diluted net earnings per share attributable to the Company's shareholders	<u>\$ 0.21</u>	<u>\$ 0.18</u>	<u>\$ 0.07</u>	<u>\$ 0.08</u>	<u>\$ 0.25</u>
Weighted average number of shares used in computing diluted net earnings per share (in thousands)	<u>11,193</u>	<u>11,044</u>	<u>11,235</u>	<u>11,047</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	Non- controlling interest	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	-	-	-	-	-	(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	-	-	-	-	-	2,320	\$ 2,320	2,320
Issuance of shares upon exercise of employee share options	106,526	1	246	-	-	-		247
Unrealized loss on forward and options contracts, n	-	-	-	15	-	-	15	15
Non-controlling interest upon acquisition of a subsidiary	-	-	-	-	174	-		174
Distribution of earnings to shareholders	-	-	-	-	-	(4,961)		(4,961)
Foreign currency translation adjustments	-	-	-	(113)	-	-	(113)	(113)
Stock-based compensation	-	-	210	-	-	-		210
Total comprehensive income							<u>\$ 2,208</u>	
Balance as of September 30, 2011 (unaudited)	<u>11,085,147</u>	<u>\$ 31</u>	<u>\$ 76,822</u>	<u>\$ (645)</u>	<u>\$ 174</u>	<u>\$ (60,029)</u>		<u>\$ 16,353</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

	<u>Number of outstanding Ordinary shares</u>	<u>Share capital</u>	<u>Additional paid-in capital</u>	<u>Foreign currency translation adjustments</u>	<u>Accumulated deficit</u>	<u>Total comprehensive income</u>	<u>Total</u>
Balance as of January 1, 2010	10,820,550	\$ 29	\$ 75,917	\$ (547)	\$ (58,256)		\$ 17,143
Net income	-	-	-	-	2,026	\$ 2,026	2,026
Issuance of shares upon exercise of employee share options	67,500	-	111	-	-		111
Distribution of earnings to shareholders	-	-	-	-	(1,865)		(1,865)
Stock-based compensation	-	-	190	-	-		190
						<u>\$ 2,026</u>	
Total comprehensive income						<u>\$ 2,026</u>	
Balance as of September 30, 2010 (unaudited)	<u>10,888,050</u>	<u>\$ 29</u>	<u>\$ 76,218</u>	<u>\$ (547)</u>	<u>\$ (58,095)</u>		<u>\$ 17,605</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Nine months ended September 30,		Year ended December 31,
	2011	2010	2010
	<u>Unaudited</u>		
<u>Cash flows from operating activities:</u>			
Net income	\$ 2,320	\$ 2,026	\$ 2,733
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	460	544	723
Amortization of intangible assets	14	-	-
Share-based compensation	210	190	241
Increase in trade receivables, net and other accounts receivable and prepaid expenses	(1,291)	(1,279)	(417)
Increase in inventories	(837)	(797)	(1,395)
Increase (decrease) in trade payables and other accounts payable and accrued expenses and accrued severance pay, net	(1,996)	1,245	1,773
Increase (decrease) in deferred revenues	(18)	714	55
Non-controlling interest in losses	(14)	-	-
Revaluation of restricted cash	(1)	(16)	(15)
Net cash provided by (used in) operating activities	<u>(1,153)</u>	<u>2,627</u>	<u>3,698</u>
<u>Cash flows from investing activities:</u>			
Purchase of property and equipment	(275)	(168)	(258)
Proceeds from sale of property and equipment	-	6	6
Decrease (increase) in restricted cash	(102)	80	173
Payment for the acquisition of IBIS Ltd. (a)	(246)	-	-
Net cash used in investing activities	<u>(623)</u>	<u>(82)</u>	<u>(79)</u>
<u>Cash flows from financing activities:</u>			
Issuance of shares upon exercise of employee share options	247	111	209
Distribution of earnings to shareholders	(4,149)	(1,492)	(1,865)
Net cash used in financing activities	<u>(3,902)</u>	<u>(1,381)</u>	<u>(1,656)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(121)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents	(5,799)	1,164	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>\$ 13,113</u>	<u>\$ 18,113</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**

	Nine months ended		Year ended
	September 30,		December 31,
	2011	2010	2010
	Unaudited		
<u>Non-cash transactions:</u>			
Classification between property and equipment and inventories, net	\$ 176	\$ 61	\$ 161
Cash paid for income taxes	\$ -	\$ -	\$ 96
Dividend withholding taxes	\$ 646	\$ 373	\$ -
Dividend to pay	\$ 166	\$ -	\$ -
(a) <u>Acquisition of IBIS Ltd.:</u>			
Fair value of assets acquired and liabilities assumed at the acquisition date:			
Working capital deficit (excluding cash and cash equivalents)	\$ (1,734)	\$ -	\$ -
Other long term assets	308	-	-
Property and equipment, net	13	-	-
Intangible assets and goodwill	1,849	-	-
Non-controlling interest	(190)	-	-
Net assets acquired	\$ 246	\$ -	\$ -

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 Ordinar y shares	Number of share options *)
	<u> </u>	<u> </u>
Avi Sharir	2,242,952	270,321
Moshe Nissim	-	20,000
Orna Nehushtan	-	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 September 30, 2011, the Company employs 231 employees.
