



Orad Hi-Tec Systems Ltd. ('Orad' or the 'Company')
Results for the three months and six months ended June 30, 2008:
First six months Revenues up by 58%, net profits up by 344%

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 solutions for the broadcasting markets, today announces its recorded results for the three months and six months ended June 30, 2008.

- **Record revenues and profits with continued positive cash flow.**
- **Revenues increased by 58% to US\$15.7 million in the first six months of 2008 compared to US\$ 9.9 million. Revenues increased by 55% to US\$8 million in the second quarter of 2008 compared to US\$5.2 million in the second quarter of 2007.**
- **Net profits increased by 344% to US\$2 millions in the first six months of 2008 compared to US\$0.45 millions in the first six months of 2007. Net profits increased by 250% to US\$1.05 millions in the second quarter of 2008 compared to US\$0.3 millions in the second quarter of 2007.**
- **Cash, cash equivalents and restricted cash increased to US\$15.2 million**
- **Gross margin was 67% in the first six months of 2008 and remained constant at 69% in the second quarter of 2008.**

All territories contributed to the growth with a special drive from Asia and the Olympic games. Orad continues the successful penetration to the On-Air graphics market, with prestigious revenue from Finland, Czech, Brazil and China.

"We are proud to present the results for the second 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 better territory coverage. We take close care of our expenses in order to secure the fast grow of the company while securing our gross margins, profitability and cash flow".

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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 Second quarter of 2008 compared to the second quarter of 2007:****Revenues, net profit and cash status:**

Revenues in Q2/08 increased by 55% to US\$8 million compared to US\$5.2million on Q2/2007. All territories and all product line contributed to the growth. However, the main reasons are the strong back-log, the on-going penetration to the On- Air graphics market, the increase in demand for virtual studios and the winning of several large contracts.

Net profit increased by 214% to US\$1.05 millions compared to US\$0.3 millions in Q2/07. While gross margin remained unchanged Orad succeeded to increase sales while increasing expenses at a lower rate.

In the second quarter of 2008 cash, cash equivalents and restricted cash increased to US\$15.2 million positive cash flow of US\$0.7 millions.

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

(in thousand USD)	<u>Q2/07</u>	<u>Q3/07</u>	<u>Q4/07</u>	<u>Q1/08</u>	<u>Q2/08</u>
Revenue	5,194	6,128	6,876	7,668	8,054
Gross Profit	3,603	3,917	4,354	5,005	5,590
Net profit	332	621	706	952	1,044
Cash status	11,443	13,306	14,050	14,543	15,217

Gross Margin

Gross margin for the second quarter of 2008 remained constant at 69% compared to in the second quarter of 2007.

Operational expenses:

Operational expenses in Q2/08 increased to US\$4.6 million compared to US\$3.4 million in Q2/07. 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>Q2/07</u>	<u>Q1/08</u>	<u>Q2/08</u>
Research and Development	774	964	1,061
Sales and Marketing	2,048	2,471	2,693
General and Administrative	<u>556</u>	<u>745</u>	<u>825</u>
Total Operating Expenses:	<u>3,378</u>	<u>4,180</u>	<u>4,579</u>

Financial and Operational highlights for the first six months of 2008 compared to the first six months of 2007:

Revenues, net profit and cash status:

Revenues in H1/08 increased by 58% to US\$15.7 million compared to US\$9.9million on H1/2007. All territories and all product line contributed to the growth.

Net profit increased by 344% to US\$2 millions compared to US\$0.45 millions in H1/07. While gross margin decreased to 67% compared to 68% in H1/07, Orad succeeded to increase sales while increasing expenses at a lower rate.

(in thousand USD)	<u>H1/08</u>	<u>H1/07</u>
Revenue	15,722	9,937
Gross Profit	10,595	6,824
Net profit	1,996	449
Cash status	15,217	11,442

Gross Margin

Gross margin for the first six months of 2008 decreased to 67% compared to 68% in the firsts six months of 2007. Gross margin is influenced by the product mix and the support expenses. In the first six months of 2008 Orad improved its gross margin from product due to the increased revenues from graphic systems. In the first half of 2008 Orad increases its support expenses in order to follow the fast growth, to improve territory coverage and provide better support to its customers.

Operational expenses:

Operational expenses in H1/08 increased to US\$8.8 million compared to US\$6.5 million in H1/07.

(in thousand USD)	<u>H1/08</u>	<u>H1/07</u>
Research and Development	2,025	1,550
Sales and Marketing	5,164	3,952
General and Administrative	<u>1,570</u>	<u>1,046</u>
Total Operating Expenses:	<u>8,759</u>	<u>6,548</u>

ORAD HI-TEC SYSTEMS LTD. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	June 30, 2008	December 31, 2007
	Unaudited	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 14,176	\$ 12,981
Restricted cash	1,041	1,069
Trade receivables, net	2,678	1,869
Other accounts receivable and prepaid expenses	1,706	1,163
Inventories	2,554	2,920
Work in process, net of advances from customers	41	78
<u>Total</u> current assets	22,196	20,080
SEVERANCE PAY FUND	1,550	1,343
PROPERTY AND EQUIPMENT, NET	1,750	1,753
<u>Total</u> assets	\$ 25,496	\$ 23,176
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 2,258	\$ 2,115
Deferred revenues	2,471	2,280
Other accounts payable and accrued expenses	5,372	5,718
<u>Total</u> current liabilities	10,101	10,113
ACCRUED SEVERANCE PAY	2,190	1,950
<u>Total</u> liabilities	12,291	12,063
SHAREHOLDERS' EQUITY:		
Share Capital	29	29
Additional paid-in capital	75,572	75,475
Foreign currency translation adjustments	(547)	(547)
Accumulated deficit	(61,849)	(63,844)
<u>Total</u> shareholders' equity	13,205	11,113
<u>Total</u> liabilities and shareholders' equity	\$ 25,496	\$ 23,176

ORAD HI-TEC SYSTEMS LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	<u>Six months ended</u> <u>June 30,</u>		<u>Three months ended</u> <u>June 30,</u>		<u>Year ended</u> <u>December 31,</u>
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2007</u>
	<u>Unaudited</u>				
Revenues	\$ 15,722	\$ 9,937	\$ 8,054	\$ 5,194	\$ 22,940
Cost of sales	5,128	3,113	2,464	1,591	7,846
Gross profit	10,594	6,824	5,590	3,603	15,094
Operating expenses:					
Research and development, net	2,025	1,550	1,061	774	3,207
Sales and marketing	5,164	3,952	2,693	2,048	8,474
General and administrative	1,570	1,046	825	555	2,207
<u>Total operating expenses</u>	<u>8,759</u>	<u>6,548</u>	<u>4,579</u>	<u>3,377</u>	<u>13,888</u>
Operating income	1,835	276	1,011	226	1,206
Financial income, net	151	176	24	106	573
Other income (expenses), net	9	(3)	9	-	(4)
Net income	<u>\$ 1,995</u>	<u>\$ 449</u>	<u>\$ 1,044</u>	<u>\$ 332</u>	<u>\$ 1,775</u>
Basic net earnings per share	<u>\$ 0.18</u>	<u>\$ 0.04</u>	<u>\$ 0.09</u>	<u>\$ 0.03</u>	<u>\$ 0.16</u>
Weighted average number of shares used in computing basic net earnings per share (in thousands)	<u>10,820</u>	<u>10,806</u>	<u>10,820</u>	<u>10,810</u>	<u>10,821</u>
Diluted net earnings per share	<u>\$ 0.18</u>	<u>\$ 0.04</u>	<u>\$ 0.09</u>	<u>\$ 0.03</u>	<u>\$ 0.16</u>
Weighted average number of shares used in computing diluted net earnings per share (in thousands)	<u>11,083</u>	<u>10,992</u>	<u>11,082</u>	<u>11,013</u>	<u>10,982</u>

ORAD HI-TEC SYSTEMS LTD. AND ITS SUBSIDIARIES

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					1,995	1,995
Share-based compensation	-	-	97	-	-	97
Balance as of June 30, 2008 (unaudited)	<u>10,820,550</u>	<u>\$ 29</u>	<u>\$ 75,572</u>	<u>\$ (547)</u>	<u>\$ 61,849</u>	<u>\$ 13,205</u>
Balance as of January 1, 2007	10,800,621	28	75,357	(547)	(65,619)	9,219
Comprehensive income:						
Net income					449	449
Issuance of shares upon exercise of employee share options	19,929	1	22	-	-	23
Share-based compensation	-	-	40	-	-	40
Balance as of June 30, 2007 (unaudited)	<u>10,820,550</u>	<u>\$ 29</u>	<u>\$ 75,419</u>	<u>\$ (547)</u>	<u>\$ (65,170)</u>	<u>\$ 9,731</u>

*) Represent an amount lower than \$ 1.

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Six months ended		Year ended
	June 30,		December 31,
	2008	2007	2007
	<u>Unaudited</u>		
<u>Cash flows from operating activities:</u>			
Net income	\$1,995	\$449	\$ 1,775
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	372	321	545
Share-based compensation	97	40	96
Decrease (increase) in trade receivables, net	(809)	898	553
Increase in other accounts receivable and prepaid expenses	(543)	(210)	(326)
Decrease (increase) in inventories	366	(76)	(384)
Decrease (increase) in work in process, net of advances from customers	(31)	175	442
Increase in trade payables	143	89	761
Increase (decrease) in other accounts payable and accrued expenses	(278)	546	951
Increase in accrued severance pay, net	33	30	121
Increase (decrease) in deferred revenues	191	(157)	439
Net cash provided by in operating activities	<u>1,536</u>	<u>2,105</u>	<u>4,973</u>
<u>Cash flows from investing activities:</u>			
Purchase of property and equipment	(369)	(356)	(656)
Proceeds from sale of property and equipment	-	9	48
Decrease (increase) in restricted cash	28	(511)	498
Net cash provided (used) by investing activities	<u>(341)</u>	<u>(858)</u>	<u>1,106</u>
<u>Cash flows from financing activities:</u>			
Issuance of shares upon exercise of employees share options	-	23	23
Net cash provided by financing activities	<u>-</u>	<u>23</u>	<u>23</u>
Increase in cash and cash equivalents	1,195	1,270	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>\$ 14,176</u>	<u>\$ 10,361</u>	<u>\$ 12,981</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 June 30, 2008, the Company employs 170 employees.
