



**Orad Hi-Tec Systems Ltd. ('Orad' or the 'Company')  
Results for the first six months and second quarter of 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, advertising and visual simulation markets, today announces its results for the six months ended June 30, 2007.

**Record sales, gross margins and Net profits in the second quarter of 2007:**

- **Revenues in Q2/07 increased to a record of USD5.2 million, compared to USD4.7 million in Q1/07 and USD4.6 millions in Q2/06.**
- **Gross margins improved to 69% in Q2/07 compared to 60% in Q2/06 and 68% in Q1/07.**
- **Net profit tripled to USD332,000 in Q2/07 compared to USD117,000 in Q1/07 and USD264,000 in Q2/06.**
- **Cash increased to USD11.4 million compared to USD10.6 million in Q1/07 and USD9.6 million by the end of 2006.**

“We are proud to present these record sales results for the second quarter of 2007. The increase in sales of graphic systems together with the improvement in trading in both South and North American markets assisted in achieving the increase in sales and the improvement in the gross profits”, commented Avi Sharir, Orad’s President and Chief Executive Officer, and added: “the strong cash flow together with the increase in the orders back log keeps us optimistic regarding the results for the second half of 2007”.

**About Orad**

Founded in 1993, Orad is a world leader in TV production technology and is rapidly increasing its position in the real time three dimensional graphic market. Orad’s product line includes virtual sets, on-air graphics systems, channel branding, virtual advertising, sports production solutions and hardware for the Virtual Reality industry. Orad is a publicly traded company in the Prime Standard on Frankfurt’s Wertpapierbörse Prime Standard and AIM Market of the London Stock Exchange (symbol: OHT).

[www.orad.tv](http://www.orad.tv)

**ORAD HI-TEC SYSTEMS LTD. AND ITS SUBSIDIARIES**

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ORAD HI-TEC SYSTEMS LTD. AND ITS SUBSIDIARIES

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

**Financial and Operational highlights for the three and six months ended June 30, 2007 compared to the same periods ended June 30, 2006:**

All references to \$ refer to US Dollars.

**Revenues, Net Profit and cash status:**

Sales in Q2\07 increased by 13% to \$5.2 million compared to \$4.6 million on Q2\2006. Sales in the first six months of 2007 increased by 11% to \$9.9 million compared to \$8.9 million in the first six months of 2006. Net profit in the second quarter of 2007 increased by 184% to \$332,000 compared to \$117,000 in the first quarter of 2007. In the first six months of 2007 net profit was \$449,000 compared to net profit of \$396,000 in the first six months of 2006, an improvement of 13%. In the first six months of 2007 cash, cash equivalents and restricted cash increased by \$1.7 million to \$11.4 million ..

**Gross margins**

Gross margins for the second quarter of 2007 was 69%, compared to 68% in the first quarter of 2007, Gross margins in the second quarter of 2007 improved significantly to 69% compared to 60% in the second quarter of 2006, mainly due to an increase of software based products in the sales mix and increased sales volume. Gross margins in the first six months of 2007 improved significantly to 69% compared to 59% in the first six months of 2006, mainly due to the increased sales volume and changes to the product mix.

The table below reflects the trend in the Revenues, Net Profit and Cash status.

	<b><u>In Thousand USD</u></b>				
	<b><u>H1/05</u></b>	<b><u>H2/05</u></b>	<b><u>H1/06</u></b>	<b><u>H2/06</u></b>	<b><u>H1/07</u></b>
<b>Revenue</b>	7,279	8,122	8,916	8,803	9,936
<b>Gross Profit</b>	3,251	4,456	5,286	5,576	6,823
<b>Net proffit</b>	(2,343)	(548)	396	239	449
<b>Cash status</b>	3,953	5,838	9,487	9,662	11,443

**Operational expenses:**

All operational expenses increased in the second quarter of 2007 compared to the second quarter of 2006 and in the first six months of 2007 compared to the first six months of 2006 due to the increase in sales and operational activity.

	<b><u>In Thousand USD</u></b>				
	<b><u>H1/05</u></b>	<b><u>H2/05</u></b>	<b><u>H1/06</u></b>	<b><u>H2/06</u></b>	<b><u>H1/07</u></b>
Research and Development	1,396	1,055	1,222	1,285	1,550
Sales and Marketing	3,087	2,992	3,189	3,442	3,952
<b>General and Administrative</b>	<b>824</b>	<b>930</b>	<b>769</b>	<b>738</b>	<b>1,047</b>
<b>Total Operating Expenses:</b>	<b>5,307</b>	<b>4,977</b>	<b>5,180</b>	<b>5,465</b>	<b>6,549</b>

**ORAD HI-TEC SYSTEMS LTD. AND ITS SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

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

	<b>December 31, 2006</b>	<b>June 30, 2007</b>
		<b>Unaudited</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 9,091	\$ 10,361
Restricted cash	571	1,082
Trade receivables, net	2,422	1,524
Other accounts receivable and prepaid expenses	837	1,047
Inventories	2,696	2,772
Work in process, net of advances from customers*)	520	474
<u>Total current assets</u>	16,137	17,260
<b>SEVERANCE PAY FUND</b>	1,017	1,074
<b>PROPERTY AND EQUIPMENT, NET</b>	1,530	1,556
<u>Total assets</u>	\$ 18,684	\$ 19,890
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Trade payables	\$ 1,354	\$ 1,443
Deferred revenues	1,841	1,684
Other accounts payable and accrued expenses*)	4,767	5,442
<u>Total current liabilities</u>	7,962	8,569
<b>ACCRUED SEVERANCE PAY</b>	1,503	1,590
<b>SHAREHOLDERS' EQUITY:</b>		
Share capital	28	29
Additional paid-in capital	75,357	75,419
Foreign currency translation adjustments	(547)	(547)
Accumulated deficit	(65,619)	(65,170)
<u>Total shareholders' equity</u>	9,219	9,731
<u>Total liabilities and shareholders' equity</u>	\$ 18,684	\$ 19,890

\*) Reclassified

**ORAD HI-TEC SYSTEMS LTD. AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

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

	Year ended December 31, 2006	Six months ended June 30,		Three months ended June 30,	
		2006	2007	2006	2007
		Unaudited			
Revenues	\$ 17,719	\$ 8,916	\$ 9,937	\$ 4,640	\$ 5,194
Cost of sales	6,901	3,629	3,113	1,846	1,591
Gross profit	10,818	5,287	6,824	2,794	3,603
Operating expenses:					
Research and development, net	2,507	1,221	1,550	571	774
Sales and marketing	6,631	3,189	3,952	1,706	2,048
General and administrative	1,506	769	1,046	417	555
Total operating expenses	10,644	5,179	6,548	2,694	3,377
Operating income	174	108	276	100	226
Financial income, net	467	293	176	162	106
Other (expenses) income, net	5	(5)	(3)	2	-
Net income	\$ 636	\$ 396	\$ 449	\$ 264	\$ 332
Basic net earnings per share	<u>\$ 0.06</u>	<u>\$ 0.04</u>	<u>\$ 0.04</u>	<u>\$ 0.02</u>	<u>\$ 0.03</u>
Weighted average number of shares used in computing basic net earnings per share (in thousands)	<u>10,791</u>	<u>10,791</u>	<u>10,806</u>	<u>10,791</u>	<u>10,810</u>
Diluted net earnings per share	<u>\$ 0.06</u>	<u>\$ 0.04</u>	<u>\$ 0.04</u>	<u>\$ 0.02</u>	<u>\$ 0.03</u>
Weighted average number of shares used in computing diluted net earnings per share (in thousands)	<u>10,823</u>	<u>10,825</u>	<u>10,992</u>	<u>10,837</u>	<u>11,013</u>

**ORAD HI-TEC SYSTEMS LTD. AND ITS SUBSIDIARIES**

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

U.S. dollars in thousands, except 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</u>
<b>Balance as of January 1, 2006</b>	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
<b>Balance as of December 31, 2006</b>	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
<b>Balance as of June 30, 2007 (unaudited)</b>	<u>10,820,550</u>	<u>29</u>	<u>75,419</u>	<u>(547)</u>	<u>(65,170)</u>	<u>9,731</u>
<b>Balance as of January 1, 2006</b>	10,790,621	\$ 28	\$ 75,281	\$ (547)	\$ (66,255)	\$ 8,507
Comprehensive income:						
Net income	-	-	-	-	396	396
Share-based compensation	-	-	21	-	-	21
<b>Balance as of June 30, 2006 (unaudited)</b>	<u>10,790,621</u>	<u>\$ 28</u>	<u>\$ 75,302</u>	<u>\$ (547)</u>	<u>\$ (65,859)</u>	<u>\$ 8,924</u>

\*) Represent an amount lower than \$ 1.

**ORAD HI-TEC SYSTEMS LTD. AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**U.S. dollars in thousands**

	Year ended December 31, 2006	Six months ended June 30,	
		2006	2007
		<u>Unaudited</u>	
<u>Cash flows from operating activities:</u>			
Net income	\$ 636	\$ 396	\$ 449
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	569	277	321
Share-based compensation	67	21	40
Decrease in trade receivables, net and other accounts receivable and prepaid expenses	1,214	2,245	688
Decrease (increase) in inventories	29	(27)	(76)
Decrease (increase) in work in process, net of advances from customers*)	(54)	(89)	46
Increase in trade payables, other accounts payable and accrued expenses and accrued severance pay, net*)	807	113	764
Increase (decrease) in deferred revenues	640	727	(157)
Other	5	5	30
Net cash provided by in operating activities	<u>3,913</u>	<u>3,668</u>	<u>2,105</u>
<u>Cash flows from investing activities:</u>			
Purchase of property and equipment	(146)	(55)	(356)
Proceeds from sale of property and equipment	48	36	9
Decrease (increase) in restricted cash	(71)	250	(511)
Net cash provided by (used) investing activities	<u>(169)</u>	<u>231</u>	<u>(858)</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	3,899	1,270
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>9,237</u>	<u>10,361</u>

\*) Reclassified.

**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:

	<b>Number of Ordinary shares</b>	<b>Number of share options *)</b>
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 June 30, 2007, the Company employs 134 employees.

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