



ADHOC RELEASE

Valor Computerized Systems Ltd. Reports Results for the Three-Month-Period ended March 31, 2002 and elects new CEO.

YAVNE, Israel - May 07, 2002 - Valor Computerized Systems, a global leader in providing productivity software solutions to the electronics industry, reported today financial results for the three months period ending March 31, 2002:

Summary Financial Data:

	Q1 2002	Q1 2001	% Change
Product Sales	2,539	5,612	(54.7)
Maintenance & Subscription Revenues	2,369	1,667	42.1
Revenues Total	4,962	7,279	(31.8)
Gross Profit	4,318	6,299	(31.4)
EBIT	(1,174)	(831)	
EBITDA	(776)	(460)	
Net Profit (Net Loss)	(1,187)	(225)	
EpS in US\$ (diluted)	(0.07)	(0.01)	
Shareholder's Equity	38,315	44,963	(14.8)
Total Assets	45,435	54,523	(16.7)
Capital Investments	(52)	(749)	
Research & Development	2,226	2,590	(14.1)
Employees (Period End)	243	241	

(all figures are in US\$ 1000, unless otherwise noted):

During this period, Valor recorded total revenues of US\$ 5.0 million, representing a decrease of 31.8 % compared to the first quarter of 2001 when total revenues were US\$ 7.3 million. In total, Valor reported a net loss of US\$ 1.2 million for the first quarter of 2002 compared to a net loss of US\$ 0.2 million achieved during the first quarter of year 2001.

Difficult market conditions and the weak order situation in the electronics industry are the main reasons for the reduction in Valor's product sales. While revenues from product sales fell 54.7% to US\$ 2.5 million compared to revenue of US\$ 5,6 million in the first quarter of 2001, the revenue resulting from maintenance and subscriptions increased by 42.1% to US\$ 2,3 Million compared to US\$ 1,7 million in Q1 of 2001.

However, in comparison to the first quarter result in 2001, the first quarter of 2002 showed a reduction in operating costs and expenses of 23% while still maintaining the



same level of research & development costs for Valor's next generation of software products.

On May 06, 2002 Mr. Schmil Dolberg informed Valor's board of directors that due to personal reasons he is stepping down from his current position as President & CEO of Valor Computerized Systems. Valor's board of directors elected Mr. Ofer Shofman, President of Valor Hong Kong and Japan and responsible for Valor's Far East operations, as Mr. Dolberg's successor. Mr. Shofman will assume office as Valor's President & CEO on August 1, 2002. The board thanked Mr. Dolberg for his work in leading the company since its inception. Mr. Dolberg will continue his involvement in the company as a member of Valor's directory board.

The complete quarterly report can be downloaded at:

ftp://ftp.valor.com/pub/private/mgmt_reports/VCRQ102E.pdf

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VALOR COMPUTERIZED SYSTEMS LTD. AND SUBSIDIARIES

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2002

U.S. DOLLARS IN THOUSANDS

UNAUDITED

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CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	December 31, 2001 <u>Audited</u>	March 31, 2001 <u>Unaudited</u>	2002
ASSETS			
CURRENT ASSETS:			
<i>Cash and cash equivalents</i>	\$ 3,282	\$ 3,472	\$ 3,708
<i>Short-term deposits</i>	30,169	36,478	29,420
<i>Trade receivables</i>	3,945	4,931	4,000
<i>Jointly controlled entity</i>	1,656	2,969	1,677
<i>Other current assets</i>	2,763	1,917	2,793
<i><u>Total</u> current assets</i>	<u>41,815</u>	<u>49,767</u>	<u>41,598</u>
PROPERTY AND EQUIPMENT, NET	<u>3,332</u>	<u>3,821</u>	<u>3,038</u>
OTHER ASSETS, NET	<u>871</u>	<u>935</u>	<u>799</u>
<i><u>Total</u> assets</i>	<u><u>\$ 46,018</u></u>	<u><u>\$ 54,523</u></u>	<u><u>\$ 45,435</u></u>

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



CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	December 31, 2001	March 31,	
	Audited	2001	2002
		Unaudited	
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Current maturities of long-term loans	\$ 60	\$ 60	\$ 49
Trade payables	663	787	500
Jointly controlled entity	602	946	681
Employees and payroll accruals	868	2,062	952
Deferred revenues	2,586	2,369	2,645
Other current liabilities	1,152	2,707	1,690
Total current liabilities	5,931	8,931	6,517
LONG-TERM LIABILITIES:			
Long-term loans	-	72	-
Accrued severance pay, net	622	557	603
Total long-term liabilities	622	629	603
SHAREHOLDERS' EQUITY:			
Share capital	534	534	534
Share premium	35,570	35,560	35,575
Treasury shares at cost	(3,591)	(1,126)	(3,591)
Foreign currency translation adjustments	117	179	163
Net unrealized gains on hedging instruments	87	-	73
Retained earnings	6,748	9,816	5,561
Total shareholders' equity	39,465	44,963	38,315
Total liabilities and shareholders' equity	\$ 46,018	\$ 54,523	\$ 45,435

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

Date of approval of the
financial statements

Itsik Ben-Yesha
Chief Financial Officer

Dolberg Shmuel
President, Chief Executive
Officer and Director



CONSOLIDATED STATEMENTS OF OPERATIONS

U.S. dollars in thousands (except share and per share data)

	<i>Year ended December 31, 2001</i>	<i>Three months ended March 31,</i>	
	<i>Audited</i>	<i>2001 Unaudited</i>	<i>2002</i>
<i>Revenues:</i>			
<i>Product sales</i>	\$ 18,097	\$ 5,612	\$ 2,593
<i>Maintenance</i>	6,786	1,667	2,369
<i>Total</i>	<u>24,883</u>	<u>7,279</u>	<u>4,962</u>
<i>Cost of revenues:</i>			
<i>Product sales</i>	2,762	850	450
<i>Maintenance</i>	545	130	194
<i>Total</i>	<u>3,307</u>	<u>980</u>	<u>644</u>
<i>Gross profit</i>	<u>21,576</u>	<u>6,299</u>	<u>4,318</u>
<i>Research and development costs, net</i>	10,495	2,590	2,226
<i>Selling and marketing expenses, net</i>	14,246	3,840	2,819
<i>General and administrative expenses</i>	2,186	700	447
<i>Total operating costs and expenses</i>	<u>26,927</u>	<u>7,130</u>	<u>5,492</u>
<i>Loss from operations</i>	(5,351)	(831)	(1,174)
<i>Financial income (expenses), net</i>	<u>2,058</u>	<u>842</u>	<u>(13)</u>
<i>Profit (loss) before taxes on income</i>	(3,293)	11	(1,187)
<i>Taxes on income</i>	<u>-</u>	<u>236</u>	<u>-</u>
<i>Net loss</i>	<u>\$ (3,293)</u>	<u>\$ (225)</u>	<u>\$ (1,187)</u>
<i>Basic and diluted loss per share</i>	<u>\$ (0.18)</u>	<u>\$ (0.01)</u>	<u>\$ (0.07)</u>
<i>Weighted average number of shares used for computing basic and diluted loss per share</i>	<u>18,553,893</u>	<u>19,478,815</u>	<u>18,076,091</u>

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



STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

U.S. dollars in thousands

	Share capital	Treasury shares at cost	Share premium	Net unrealized gains on hedging instruments	Foreign currency translation adjustments	Retained earnings	Total equity
Balance as of January 1, 2001	\$ 534	\$ -	\$ 35,560	\$ -	\$ 107	\$ 10,041	\$ 46,242
Treasury shares acquired	-	(3,591)	-	-	-	-	(3,591)
Net unrealized gain on hedging instruments	-	-	-	87	-	-	87
Warrants issued to service providers	-	-	10	-	-	-	10
Foreign currency translation adjustments	-	-	-	-	10	-	10
Net loss	-	-	-	-	-	(3,293)	(3,293)
Balance as of December 31, 2001	534	(3,591)	35,570	87	117	6,748	39,465
Net unrealized loss on hedging instruments	-	-	-	(14)	-	-	(14)
Warrants issued to service providers	-	-	5	-	-	-	5
Foreign currency translation adjustments	-	-	-	-	46	-	46
Net loss	-	-	-	-	-	(1,187)	(1,187)
Balance as of March 31, 2002 (unaudited)	\$ 534	\$ (3,591)	\$ 35,575	\$ 73	\$ 163	\$ 5,561	\$ 38,315

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



CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended	Three months ended	
	December 31, 2001	March 31, 2001	2002
	Audited	Unaudited	
<u>Cash flows from operating activities:</u>			
Net loss	\$ (3,293)	\$ (225)	\$ (1,187)
Adjustments for:			
Depreciation and amortization	1,955	371	398
Increase in value of short-term deposit	-	(74)	(109)
Increase in deferred taxes	(324)	(731)	-
Warrants issued to service providers	10	-	5
Accrued severance pay, net	65	-	(19)
Operating profit before working capital changes	(1,587)	(659)	(912)
Decrease (increase) in trade receivables	2,052	1,040	(145)
Decrease (increase) in other current assets	394	(56)	28
Decrease in trade payables	(370)	(140)	(25)
Increase (decrease) in other current liabilities	(1,728)	440	828
	348	1,284	686
Net cash provided by (used in) operating activities	(1,239)	625	(226)
<u>Cash flows from investing activities</u>			
Purchase of property and equipment	(1,303)	(749)	(52)
Proceeds from maturities of short-term deposits	6,236	-	749
Proceeds from sale of property and equipment	25	-	-
Additional payment for acquisition of technology	(114)	-	-
Acquisition of assets from Prestim (1)	(709)	-	-
Net cash provided by (used in) investing activities	4,135	(749)	697
<u>Cash flows from financing activities:</u>			
Treasury shares acquired	(3,591)	(432)	-
Principal payment of long-term loans	(103)	(31)	(11)
Net cash used in financing activities	(3,694)	(463)	(11)
Increase (decrease) in cash and cash equivalents	(798)	(587)	460
Cash and cash equivalents at the beginning of the period	4,121	4,121	3,282
Effect of exchange rate changes on opening cash	(41)	(62)	(34)
Cash and cash equivalents at the end of the period	\$ 3,282	\$ 3,472	\$ 3,708

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



CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	<i>Year ended</i>	<i>Three months ended</i>	
	<i>December 31,</i>	<i>March 31,</i>	
	<i>2001</i>	<i>2001</i>	<i>2002</i>
	<i>Audited</i>	<i>Unaudited</i>	
<u><i>Supplemental disclosure of non-cash investing and financing activities:</i></u>			
<i>Payables on account of treasury shares</i>	\$ -	\$ 694	\$ -
<i>Payables on account of investment in other assets</i>	\$ -	\$ 47	\$ -
<i>Net unrealized gain (loss) on hedging instruments</i>	\$ 87	\$ -	\$ (14)
(1) <u><i>Acquisition of assets from Prestim:</i></u>			
<i>The net fair value of the assets at the date of acquisition was as follows:</i>			
<i>Property and equipment net (unaudited)</i>	\$ 43	\$ -	\$ -
<i>Lease obligations (unaudited)</i>	(13)	-	-
<i>Technology (unaudited)</i>	679	-	-
	\$ 709	\$ -	\$ -

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL

Valor Computerized Systems Ltd. was incorporated under the laws of Israel and commenced operations in 1992. Valor Computerized Systems Ltd. and its subsidiaries ("the Company") design, develop, market and support software solutions for the PCB fabrication, design and assembly industries. The Company's products are marketed in Europe, Asia and U.S through its wholly-owned subsidiaries in the United States, Belgium, Hong-Kong and Japan.

In 1998, the Company established a joint venture partnership together with Orbotech Ltd. ("Orbotech"), an Israeli manufacturer of fabrication equipment. The Company has a 50% interest in the joint venture partnership which commenced its operations in the fourth quarter of 1998. The joint venture owns, among others, the previously consolidated activities of design, development, market and support of software solutions for the PCB fabrication industry.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

- a. *These financial statements have been prepared in accordance with generally accepted international accounting principles.*
- b. *The significant accounting policies applied in the annual financial statements of the Company as of December 31, 2001 are applied consistently in these interim consolidated financial statements.*

NOTE 3:- FINANCIAL STATEMENTS IN U.S. DOLLARS

Foreign currency translation:

The majority of the Company's sales is made outside Israel in non Israeli currencies, mainly the U.S. dollar. Most of the Company's expenses, mainly selling and marketing expenses and service costs are incurred in U.S. dollars or linked thereto. Therefore, the Company has determined that the U.S. dollar is the primary currency of the economic environment of the Company and of certain of its subsidiaries, and thus its functional and reporting currency.

All transaction gains and losses from remeasurement of monetary balance sheet items denominated in non-dollar currencies are reflected in the statement of income as financial income or expenses, as appropriate.

The financial statements of certain subsidiaries whose functional currency is not the U.S. dollar, have been translated into U.S. dollars. All balance sheet accounts have been translated using the exchange rates in effect at the balance sheet date. Statement of income amounts have been translated using the average exchange rate for the year. The resulting translation adjustments are reported as a component of equity.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4:- UNAUDITED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2002 are not necessarily indicative of the results that may be expected for the year ended December 31, 2002.

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