



December 1, 2008

OTI Nine Months and Third Quarter 2008 Financial Results Conference Call Script

Operator Good morning, good afternoon, to all OTI investors, analysts and other interested parties worldwide on our first nine months and third quarter of 2008 conference call.

As a reminder, the conference call is being recorded today and will be available for replay until December 8th and a transcript of the prepared statements will be available on our website at www.otiglobal.com in the Investor Relations section.

With me today on the call are Oded Bashan, OTI Chairman and CEO, Ohad Bashan, OTI President, and Tanir Horn, OTI CFO.

You should have received a copy of the press release issued before the market opened this morning. If you are not on our distribution list, please contact us at info@otiglobal.com and we'll be happy to add you for future information.

Our statements today contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other Federal securities laws. Whenever we use words such as "believe," "expect," "anticipate," "intend," "plan," "estimate" or similar expressions, we are making forward-looking statements. Forward-looking statements include statements regarding our goals, beliefs, future growth strategies, objectives, plans or current expectations. Because such statements deal with future events and are based on OTI's current expectations, they are subject to various risks and uncertainties and actual results, performance or achievements of OTI could differ materially from those described in or implied by the statements in this press release. Forward-looking statements could be impacted by the effects of the protracted evaluation and validation period in the U.S. contactless payment cards market, our inability to successfully integrate the purchase of assets of SuperCom or to otherwise achieve the expected benefits of the acquisition, to close to due a failure to satisfy closing conditions, market acceptance of new and existing products and our ability to execute production on orders, as well as the other risk factors discussed in OTI's Annual Report on Form 20-F for the year ended December 31, 2007, which is on file with the Securities and Exchange Commission. Although OTI believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, it can give no assurance that its expectations will be achieved. Except as otherwise required by law, OTI disclaims any intention or obligation to update or revise any forward-looking statements, which speak only as of the date hereof, whether as a result of new information, future events or circumstances or otherwise.

At this point, I would like to turn the call over to Ohad Bashan, President of OTI, to discuss the results –



Ohad Bashan Thank you all for joining today's conference call. I will give an overview of the results and business developments and we will then open the call for questions which Oded, Tanir and I will address.

I would like to take this opportunity and to welcome Tanir on her first call as OTI's CFO.

The first nine months results are in line with our expectations, with revenues of \$31.1 Million relatively flat compared to \$30.5 million in the first nine months of 2007. Based on current visibility, and assuming no project execution will be impacted by the global market conditions and instability we are maintaining our guidance. In the third quarter we saw improving gross margins, growing revenues, lower cash burn and have been able to secure new projects with high margin recurring revenues with clear view to commercial roll outs.

We are closely monitoring the global market conditions, our customers financial situation and making sure we are staying on top of the development, implementation and our financial obligations, all with a view to maintain our growth and profitability plans for 2009 and beyond. We are primarily focusing on controlling and reducing our operating expenses to the most efficient and effective level required to carry out our current and pending pipeline of projects for 2009 and 2010. We believe that our strong and healthy balance sheet with \$106 Million in total assets and \$32 Million in cash, cash equivalents, and short term investments together with the continued shift in focus toward high margin commercial rollouts with recurring revenues will pave a clear path to profitability for OTI.

During the first nine months of this year we took significant measures in order to meet our goal of reducing our operating expenses. We are on track to reach our goal of limiting our quarterly operating expenses on a Non-GAAP basis to \$7 million, coming very close in the third quarter short of unforeseen legal fees and the weakness of the dollar vs. other currencies. Total operating expenses for the first nine months were \$28.6 million on GAAP basis and \$22.5 million on non-GAAP basis. Our operating expenses include \$1.8 million that represent the weakening of the dollar versus other currencies. During the first nine months we burned \$8.9 million in cash from operating activities.

In The third quarter we saw better results than the first previous quarters and the same quarter last year: Revenues increased by 10% to \$10.9 million and the gross margin increased to 44% from 36% as a result of the revenue mix for the quarter. Our operating expenses on a non-GAAP basis decreased by 26% to \$7.9 million. These expenses include extraordinary expenses related to legal fees for Smartrac's lawsuit of around \$600,000. Significantly, GAAP net loss decreased by 39% to \$4.8 Million and non-GAAP net Loss decreased by 46% to \$3.2 Million. We were also able to decrease the cash burn from operating activities by 59% to 1.7 Million from \$4.2 million in the second quarter.

In our press release, we included a comparison between the first nine months and third quarter of 2008 to those of 2007 on a non-GAAP basis. In the reconciliation of GAAP to non-GAAP results on our



P&L, FAS 123R and EITF 96-18 had very little impact on COGS. It did, however, have a significant impact on operating expenses. The impact of FAS 123R and EITF 96-18 on the first nine months of 2008 operating expenses was about \$5.1 million and amortization of intangible assets was \$1.0 million. The impact on the third quarter of 2008 operating expenses was about \$1.2 million and amortization of intangible assets was \$367,000.

As we published earlier today, OTI's Board of Directors authorized us to initiate a process that will allow an execution of a buyback program for the repurchase of OTI shares. We are doing so as we believe the strength of our balance sheet allows us to support current and future opportunities while increasing shareholder's value. We believe we have an excellent opportunity to capture value that we believe is not reflected in our shares at current prices. The total aggregate amount will not exceed \$5 million. Under Israeli law, the program requires court approval. Accordingly, OTI will file an application with the District Court in Tel Aviv, Israel in the next few weeks to initiate the process.

OTI provides superior contactless smart card products, technology and solutions in three primary vertical markets: payments, petroleum and ID. We are making progress in all vertical markets.

Looking at the revenue breakdown for the first nine months of 2008 by vertical markets, the Payments market was 47%, Petroleum Market generated 10%, the Smart ID Market generated 19%, and OEM sales were 24%.

The Geographic Mix of Revenues for the first nine months of 2008 was as follow: Europe was 52%; Asia was 15%; the Americas were 11%; Africa 12% and Israel 10 % of revenues.

Our pipeline of new projects continues to increase as a result of our long term strategic initiatives on multiple fronts. We are enhancing and broadening our relationships with channel partners and qualifying OTI products with the right organizations. While these relationships are expected to yield significant revenues to OTI over time, they involve processes characterized by long and extensive testing and qualification before revenues can be realized. The qualification due-diligence is done on the basis of the product, company, support and financial stability. I am pleased to say that we are making progress with these companies and hope to be able to report on it soon. We are making headways in being able to secure additional projects in the verticals of ID, Petroleum and Payments, with most revenues realized in 2009 and beyond. These projects are expected to provide higher margins and contribute to our growth.



Our offerings in the payments market include solutions for contactless banking cards, mass transit solutions and an in vehicle-parking meter called: EasyPark. We offer cards, readers, and production machinery, based on years of experience and a significant IP portfolio that results in a superior product in terms of durability, performance and throughput. OTI's offering to the contactless banking market is unique in that we provide both card AND reader solutions for both the Visa and MasterCard contactless programs.

Our focus in the contactless banking card programs is to support MasterCard and Visa in their efforts in the different regions.

The EMV market in Europe offers a great opportunity for OTI. The more stringent product requirements mean that we are able to leverage our technological know-how and offer a fully-certified product to the card associations, banks and merchants. This quarter we also announced that OTI Saturn countertop and outdoor readers received global approval for MasterCard and Visa Contactless Payment programs. This is specifically important due to the development of new markets beginning to adopt contactless payment solution, mainly in Europe. We are already experiencing strong demand for readers as new markets in Europe begin to adopt contactless payments.

We continue to work through market leaders to integrate our reader technology with their products, as well as working with the leading card providers to offer card solutions to financial institutions.

We introduced new product solutions such as the smart sticker, an entirely self-contained, contactless payment device that adheres to multiple surfaces including mobile phones, PDAs and more. The special configuration and adhesive on the back of the smart sticker makes it easy to attach to any surface, be it metallic, plastic or other. This feature enables issuers to add contactless payment capabilities to existing mobile devices independent of the handset type and model. Although not directly related to the payments market, we also announced recently that OTI supplied Air New Zealand, New Zealand's national airline, with OTI's smart stickers to help frequent travelers on New Zealand domestic flights check-in and board faster. The OTI smart sticker serves to upgrade products already in circulation, providing a quick time-to-market, cost effective solution, which is expected to assist issuers in increasing market share.

We are happy to report that in line with our strategy to continue shift in project and revenues originating high margin recurring revenues and transaction fee specifically, ASEC has won a contract to become an operator for the Transport Department of the City of Warsaw to provide infrastructure for loading of transportation cards around the city. Direct revenues will be generated from transaction fees and are expected to aggregate more than \$10 million over the next 5 years. The infrastructure equipment costs are to be installed and operated by ASEC and



financed by Polish banks. The project is expected to start yielding revenues in the third quarter of 2009. ASEC is a second operator to Mennica Panstwowa.

In addition to our EasyPark operations in Israel, we have obtained two international markets in which we are operating. In the third quarter we announced that PARX, our subsidiary, and Neos Tech are introducing EasyPark in Italy, starting with the northern city of Alessandria. PARX will manage the program with Neos Tech S.r.l, an Italian company focused on public services, parking and IT. Neos Tech is responsible for the marketing, sales, help desk, customer support, installation and all local services in Italy. It has launched a strong marketing campaign including print and broadcast media and a consumer website. This is in addition to the already announced operation and introduction of the parking solution in France. These projects generate both product sales and growing high-margin recurring revenues via transaction fees and ongoing support .

In the ID market our product offerings include end to end ID solutions for electronic passports, border crossings, national ID and medical cards. The unique solution is based on significant IP, including a patent portfolio that covers manufacturing techniques, application processing and more. The system is based on OTI's MAGNA™ - a modular platform that offers short implementation and quick integration with a country's existing border control system and provides external interfaces to the country's central electronic certificate storage for signature verification.

We are still expecting to report progress in our project for manufacturing and selling electronic travel document inlays for a major Asian government before the end of this year with a view to commence commercial production next year.

In the third quarter we announced that OTI signed a contract with the Electoral Commission of an African Country to implement the upgrade of the Country's Permanent Voter Registry, including new biometric-based voter cards. The value of the initial contract is over \$2 million, with more than \$1 Million expected to be realized this year.

The project's objectives are to verify the voter identity, detect and avoid double registration attempts, and issue a new Voter ID card bearing advanced security features, which will be used in the upcoming elections. The system will ensure "one person - one vote".

MediSmart is our modular health IT solution, which transforms the patient's electronic health record to a portable medium, enables sophisticated patient and provider authentication, implements secure encryption and provides integration with legacy health IT systems. MediSmart is another successful implementation of our business model in which revenues are generated not only from product sales, but also from transaction and licensing fees.



We recently announced that in Kenya, SMART, a Kenyan company committed to delivering technology driven secure healthcare solutions, has placed an order for an additional 100,000 MediSmart cards which are to be issued by multiple medical scheme managers. This expansion comes after SMART has already issued approximately 100,000 cards and deployed 340 points of service at hospitals, pharmacies and general practitioner sites across Kenya, enabling patient authentication, verification of benefits and claims processing in a seamless electronic process.

In the petroleum market, we have received positive feedback from the initial Chevron implementation and we estimate that the solution will start to be implemented in Asia Pacific during the year.

To summarize, during the first nine months of 2008, we focused on making our global operations more efficient and effective by reducing our expenses while increasing our projects pipeline. Our current level of expenses reflects this while we continue implementing cost saving measures. In parallel, we are focusing on securing high margin projects with recurring revenues and building a strong pipeline focused on short and midterm growth.

As we've indicated, it is our belief that most of the significant delays are behind us and we are confident about the Company's growth. . We are monitoring closely the global market conditions, our customers financial situation and making sure we are staying on top of the development, implementation and our financial obligations, all with a view to maintain our growth and profitability plans for 2009 and beyond.

Now we will be pleased to take your questions.