



For Immediate Release

OTI reports 62% decrease in Operating Loss with revenues up by 10% for first six-month of 2002

ROSH PINA, ISRAEL – August 30, 2002 – OTI (Neuer Markt: OT5), the global provider of contactless smart card technology and product solutions, today announced financial results for the first six months ended June 30, 2002. The first half performances exceeded management's expectations and were in line with the Company's plans to reach operating break-even by the fourth quarter 2002. The company expects to end the third quarter with similar cash balance as of June 30, 2002.

Financial Highlights for the First Half of 2002:

- Operating loss decreased by 62% to \$2.0 million (1H2001: \$5.4 million).
- Revenues for 1H2002 up 10% to US \$ 9.7 million (1H2001: US \$8.8 million).
- Gross profit decreased 4% to \$ 4.3 million (1H2001: \$4.5 million).
- Net loss for 1H2002 down 59% to \$2.1 million (1H2001: \$5.2 million).
- Loss per share was down 60% to \$1.34 (1H2001: \$3.39).
- Cash, cash equivalents, and short-term investments at the end of 1H2002 totaled \$4.3 million, with total assets of \$27.6 million (1H2001: \$14.40 million and \$37.8 million, respectively).

Oded Bashan, Chairman, President and CEO of OTI commented: "We are happy with our latest results, which have exceeded our expectations. We have successfully increased revenues for the second quarter and first half of 2002 while decreasing operating and net loss during the second quarter and the first half. We are confident that the combination of fiscal discipline and a strong pipeline of new deals will enable us to reach operating breakeven in the fourth quarter in 2002."

Revenues for the first six months ended June 30 2002 were US \$9.7 million, an increase of 10% compared with US\$ 8.8 million for the first six months of 2001. The **gross profit** for the first six months decreased by 4% to US \$4.3 million compared with US \$4.5 million in the first six months in 2001.

The company has taken multiple steps in cost reduction, which are reflected in the company's expense reduction. For the first six months of 2002 **Research & Development** expenses net of payments received from the Office of the Chief Scientist decreased by 47% to US \$2.0 million

from US \$3.7 million in first six months of 2001. **Marketing and Selling** expenses decreased by 48% to US \$1.8 in first six months of 2002 from US \$3.5 million in the same period of 2001, while **general and administrative** expenses increased by 18% to US \$2.5 million compared to US \$2.1 million in first six months of 2001.

Operating expenses decreased by 36% to US \$6.3 million from US \$9.9 in first six months of 2001. **Operating loss** decreased by 62% to US \$2.0 million from US \$5.4 million in first six months 2001. **Net loss** for the first six months of 2002 decreased by 59% to US \$2.1million, down from US \$5.2 million, resulting in a net loss of \$1.34 per share for the first six months of 2002 compared to a net loss per share of \$3.39 in the same period in 2001.

Due to events surrounding the current crisis in the world capital markets in general, and in the United States in particular, as part of the process of registering the company's shares on the NASDAQ and due to a change in our auditor's opinion, the company has revised its accounting treatment for certain transactions based on a more conservative interpretation and application of US GAAP of the same facts and circumstances in existence at the time of the original treatment of the above. Most of the revisions relate to non - cancelable, non - refundable amounts that were received at the time of, or prior to, the revenue that was originally recognized and have now been deferred.

Mr. Bashan concluded: " While maintaining our focus on delivering financial objectives, we are also moving forward with our plan to list on NASDAQ US. This listing will provide OTI with access to the US capital markets and give us an opportunity to increase our visibility in this country from a business point of view."

The OTI management board invites you to join a conference call that will be held today, Friday, August 30, 2002 at 13:00 p.m. (CET). For a copy of the 2002 Second Quarter Report and information on the investor conference call, please contact Kirchhoff Consult AG Tel: +49 69 7474 8615.

About OTI

Established in 1990, OTI (On Track Innovations) designs and develops contactless microprocessor-based smart card technology to address the needs of a wide variety of markets. Applications developed by OTI include product solutions for mass transit, parking, gas management systems, loyalty schemes, ID and secure campuses. OTI has a global network of regional offices to market and support its products. The company was awarded the prestigious ESCAT Award for smart card innovation in both 1998 and 2000. Visit OTI on the Internet at www.otiglobal.com.

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