

TTI-TELECOM

Moderator: Meir Lipshes
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8:00 a.m. CT

Operator: Good morning. My name is (Brandy) and I will be your conference operator today. At this time, I would like to welcome everyone to TTI Telecom's Q4 and 2009 Year End Results Conference Call. All lines have been placed on mute to prevent any background noise. After the speaker's remarks, there will be a question-and-answer session. If you would like to ask a question during this time, simply press star then the number one on your telephone keypad. If you would like to withdraw your question, press the pound key. Thank you.

I would now like turn the call over to Rebecca Aspler, Investor Relations Director. Please go ahead.

Rebecca Aspler: Thank you, operator. And again, good morning, everyone. This is Rebecca Aspler, Investor Relations Director at TTI Telecom, with me on the call today are Meir Lipshes, Chairman and CEO, Tali Tueg-Cohen, CFO and Avner Amran COO of TTI Telecom.

By now, you should have all received our fourth-quarter 2009 earnings press release which was issued earlier this morning. If you have not received the release, please refer to the company's Web site. Before we begin, I'd like to remind you that during this conference call, management may make certain forward-looking statements. These forward-looking statements will involve a number of risks and uncertainties including, but not limited, to product demand, pricing, market acceptance, changing economic conditions, risks in product and technology development, the effect of the company's accounting

policies, as well as certain other risk factors which are detailed in the company's SEC filings.

With that said, I'd now like to turn the call over to Meir, Tali and Avner for a review of the quarter's and full-year's results. Following these prepared remarks, we would be happy to take any questions you may have.

Meir.

Meir Lipshes: Thank you. And welcome to our Q4 Conference Call. In 2009, TTI Telecom with other companies had to steer its way through difficult financial crisis, the Wall Street declines. During this crisis, the end of which is still not totally evident. (Partial) capital spending accompanied the change in customer's buying behavior. In 2009, we witness investment decision cycles being delayed and becoming more (clouded). But not only decision cycle has changed, softer consummation and implementation partners have also gone through changes. The decision makers want to implement solutions quickly and expect revenue as soon as possible.

Responding to those requirements, we (inaudible) our sales cycles with faster (inaudible) productive demonstrating more than ever the (inaudible) measurement. Our daily handling of customers has become even more responsive ensuring the force of inspection of everyone of our 84 customers. This business behavior has been accompanied by the implementation of efficient cost-cutting measures that will target our support of our (managing).

The fourth quarter and full-year result as you will hear soon from our CFO, prove that we responded well to this period of challenges. In terms of our book-to-bill ratio to about one partially compensates for the previous quarter deficit and yet much work still has to be done. I will provide additional details of the quarter's highlight in a moment, but would first like to turn the floor over to our CFO, Tali, for a review of our fourth quarter and full-year financial results.

Please, Tali.

Tali Tueg-Cohen: Thank you, Meir. Total revenues for the quarter were \$10.7 million. This compares to revenues of \$10.3 million in the third quarter of 2009 and \$11.3 million in fourth quarter of 2008. Total operating expenses were \$5 million, compared to \$4.9 million in the third quarter of 2009 and \$6.1 million in the fourth quarter of 2008. Operating income for the quarter was \$566,000, compared to an operating income of \$744,000 in the third quarter of 2009, and an operating (lack) of 150,000 dollars in the fourth quarter of 2008.

Net income in the fourth quarter of 2009 was \$15,000 or zero cents per basic and diluted share, compared to a net income of \$1.3 million or seven cents per basic and diluted share in the third quarter of 2009. And a net loss of 2.1 million and 13 cents for basic and diluted share in the fourth quarter of 2008. For the 12 months ended December 31, 2009, total revenue used were \$42.5 million. This compares to \$50.3 million in 2008.

Total operating expenses for 2009 were \$20.4 million compared to \$27.1 million in the previous year. Operating income was \$2.6 million, compared to an operating (inaudible) of \$54,000 the previous year. Net income for the 12-month period was \$2.7 million or 14 cents of basic and diluted share, compared to a net loss of 2 million or 12 cents for basic and diluted shares in 2008.

I would like to draw your attention to the financial income (page) data. As part of the 2004 capital draft, the company issued warnings that were intended for purchasing ordinary company shares. As a result, of the adoption of new accounting standards on January 1, 2009, this was no longer eligible to be classified as equity, therefore the company is now required to present a fair value of the warrant and to record any changes in the fair value during the period as a financial expense or in income. During the course of 2009, the fair value of this (warrant) appreciated by approximately \$600,000 that (inaudible) part of our financial income. Excluding this noncash charge, our net income of 2009 was \$3.3 million.

Turning to the balance sheet, our liquid assets on December 31, 2009, are approximately \$30.9 million or roughly \$1.93 per diluted share. This represents an increase of approximately \$6 million, compared to the balance as of December 31, 2008. We ended the quarter with total (revenue) shares outstanding of 60,003,158 on a fully diluted basis and change compared to the end of the previous quarter. As of December 31, we had 2.9 million preferred shares and 2.2 million were still outstanding. We will continue to average these figures on a quarterly basis.

Finally, DSO decreased to 67 days, compared to 70 days last quarter. This concludes my prepared remarks. Now I will turn the call over to Avner for a (inaudible) of the quarter and full-year results.

Avner Amran: Thank you Tali. (Inaudible) revenues for the fourth quarter of 2009 was as follows. The Americas, approximately 3.7 billion or 35 percent of revenue. (India) 6 million or 56 percent of revenue, and APAC 1 million or nine percent of revenue.

In the fourth quarter of 2009, (inaudible) accounted for approximately (55) percent of the quarter's revenues, with the remaining 45 percent coming from wireless operators. In the fourth quarter of 2009 we had two customers that accounted for more than 10 percent of revenue. The geographical breakdown of revenues for the year was as follows – the Americas, approximately 3.8 million or 32 percent of revenue. The (Asia), 23.8 million or 56 percent of revenues and APAC 4.9 million or 12 percent of revenue. For the 12 months of 2009, (inaudible) accounted for approximately 55 percent of revenues with the remaining of 45 percent coming from wireless operators. For the entire year of 2009, we had two customers that accounted for more than 10 percent of our revenues.

It is important for me to note that during 2009 we added four new accounts to our already impressive customer base. Three are independent new accounts and the fourth is an additional affiliate of the (inaudible) telecom group. Although we are not able to disclose names yet, I can share with you the fact that each of these accounts represents the unique windfalls powering (other) –

powering market-leading competitors in each of these four (vendors). Since these new accounts reside in a different (world vision inaudible), one in CIS and one in India these are also a testament to our successful original (self) strategy.

Following up on our (NT plans) and as mentioned in the last quarter's conference call, I would update you on the expansion and (expensing) of our (NT) group with experienced telecom engineers and the ongoing planning of our (LP) ordinance.

Additionally, and on the same subject, I would like to note the recently completed (inaudible) between TTI Telecom service assurance solution and one of the large equipment vendors (AP) network. We currently are in the process of approving a joint publication of these (AP) joint activity. This concludes my prepared remarks.

Now I will turn the call to Meir.

Meir Lipshes: Thank you. Looking at 2010, we rely on the overall anticipation of the gradual recovery in capital spending. We believe that there are many opportunities for suitable growth. However, we do expect our customer to remain cautious and we also expect them to continue seeking high volume, low (PCS, PCO) and (ally).

In our cautions and realistic planning for 2010, we are aiming and increasing on our and backlog and pursuing (LT)-related opportunities. We hope that the reinforcement and the acceleration of our (ITE) related investment along with the market awakening will both be positively reflected in our future financial (sources).

To summarize, we believe that our investments our awareness of customers change decision making practice and the same affecting in (cautions of) financial management of TTI's operation, will all boost the TTI in its goal to be a preferred choice for customers and have TTI market position. With that said, I would like now to open the calls for your question.

Please operator. Operator?

Operator: At this time, if you would like to ask a question, please press star then the number one on your telephone keypad. We'll pause for just a moment to compile the Q&A roster. At this time, if you would like to ask a question, please press star then the number one on your telephone keypad.

You have a question from the line of Igor Vasserman with SHIG.

Igor Vasserman: Hello?

(Male): Yes, go ahead.

Igor Vasserman: Hi, hi good morning, I have a question about interest income. In previous two quarters you had like \$600,000 interest each quarter. And this quarter you have like a negative 600. The question is why there is no interest income for this quarter?

Tali Tueg-Cohen: OK. As we mentioned, this expense of 600,000 is as a result of the (inaudible) reduction of new accounting standards, new accounting relation and it was adapted essentially at the beginning of 2009. And because these ones cannot be classified as equity, they should be classified as liability and this is the reason for the expense. It's a non cash expense.

Igor Vasserman: I understand that, but the expense was 600,000 so it was supposed to have interest income of 600 and to be compensated by this charge of 600. So why's it – what was amount charged, actually 600 or 1.2 million? What was actually charged this month, this quarter?

Tali Tueg-Cohen: If I understand you, you are asking why the expense the material expense is in this quarter.

(Male): No.

Tali Tueg-Cohen: No so I didn't understand.

(Male): OK.

Igor Vasserman: Hello?

Operator: At this time, if you would like to ask a question please press star then the number one on your telephone keypad.

(Male): Would you mind just to – once again, we would like to clarify the question here. OK.

Tali Tueg-Cohen: OK. I understand your question. This quarter, there is an expense of 600,000. If we didn't – if we wouldn't have this new accounting regulation, the finance expenses would be zero and the reason for that is our (main) financial income or expense is influenced by the differences of the currency rates. We have a – customers in the euro and if the euro rate is increased in comparison to the U.S. dollar, where the financial income. In this quarter, in the fourth quarter the euro – the rate between the euro and the dollar was decreased in comparison to the last quarter. This is the reason that we had zero in financial expense of about – approximately zero.

Igor Vasserman: OK. OK. I understand it. Thank you. Thank you very much.

Tali Tueg-Cohen: You're welcome.

Operator: At this time, if you would like to ask a question please press star one. Your next question comes from the line of Steven Pakowski with Friar University.

(Steven Pakowski): Good morning,

(Male): Good morning.

(Steven Pakowski): Yes. I just have a question, I'm coming from the United States, 3G technology is that something that you consider very important to the company and is it responsible for a lot of the success of TTI?

Avner Amran: Yes, as I mentioned during the call, 45 percent of our revenues are made out of mobile wireless operation and definitely 3G is the, the majority part of that.

Steven Pakowski: OK, thank you.

Operator: Your next question comes from the line of (Ramon Patell) a private investor.

(Ramon Patell): Yes, hi. Good morning. I am (Ramon Patell) from New York. I have a question on the your cash outlays that you have around \$29 million or so. And do you have any expectation from that? Are you going to remain invested in (a part) money or are you having any business plan for using this asset?

Meir Lipshes: At this moment we don't have a particular program that is mature enough to disclose, it's invested in triple A or high quality (inaudible) that is what we do at this moment.

(Ramon Patell): I have another question about the – are you involved are you looking at the (cloud) computing kind of services for the company's business plan as well?

Meir Lipshes: No, we do not, we don't look on that. Our target market is two – one operators and we believe that for the coming years the management will still be done at the customer (side).

Avner Amran: For (cloud) computing when we are coming to manage an IT part, we have a corporation with IT management companies that is dealing with (cloud) management.

(Ramon Patell): OK, thank you.

Operator: At this time, there are no further questions. At this time, you do have a follow up question from the line of Igor Vasserman with SHIG.

Igor Vasserman: Hi, I have one question more. Do you consider a repurchase of your stock or some kind of buyback program considering your (vast) cash position?

Meir Lipshes: Currently, we are not considering it.

Igor Vasserman: Was there any reason for that? (You see) our stock price is fully priced; you don't see stock prices underweight?

(Male): I don't want to do any comments about the price of the share if it's high or low. I can only say that we are not considering at this moment to purchase our shares.

(Male): OK, OK thank you very much.

Operator: Your next question comes from the line of (Rob Koep) with (Trillium).

(Rob Koep): Hi, I just want to know, I heard earlier what was your book-to-bill for the quarter?

Meir Lipshes: About one.

(Rob Koep): OK, great. Thank you.

Operator: At this time if you would like to ask a question please press star one. At this time, there are no further questions. Are there any closing comments?

Rebecca Aspler: Just to say thank you for everyone to – that have joined this call.

(Male): OK. This concludes our phone call. Thank you.

Operator: This concludes today's TTI Telecom's Q4 and 2009 Earnings Release Conference Call, you may now disconnect.

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