

MIND CTI Reports 42% Rise in Revenue

- * Sequential revenue growth of 8%**
- * MIND expects Q1 2004 revenue of \$3.8-\$3.9 million**
- * Board declares cash dividend**

Key Highlights

- Fourth quarter 2003 revenues were \$3.64 million, a 42% increase over the fourth quarter of 2002.
- Sequential quarterly revenue growth of 8%.
- Net income for the fourth quarter was \$1.08 million or \$0.05 per diluted share.
- Net income for 2003 was \$3.63 million or \$0.17 per diluted share.
- Operating income was \$435 thousand, a 310% increase over the fourth quarter of 2002.
- 7th consecutive quarter of revenue growth and improved profitability of operations.
- First quarter 2004 guidance: Expected revenue of \$3.8 to \$3.9 million and fully diluted EPS of \$

Yoqneam, Israel, February 10, 2004—MIND C.T.I. LTD. (NASDAQ: MNDO), a leading global provider of real-time mediation, rating, billing and customer care solutions for pre-paid and post-paid voice, video and content, today announced results for the fourth quarter and year ended December 31, 2003.

Monica Eisinger, President and CEO, commented: "Our fourth quarter results reflect the growing acceptance of our solutions and our market leadership in real-time billing for convergent VoIP networks. During the quarter, we continued to deploy expansions of license and services to key customers and initiated new projects. Looking ahead, we expect to see new customer wins, especially in the VoIP area and continued growth in customer extensions as a result of our increased activity in Europe and Latin America. Our ability to deliver product-based solutions in short deployment time, positions us well to capitalize on the growth of IP services deployments. We are confident in our strategy and that we can leverage the market improvement in the market to achieve growth in the coming quarters."

As of December 31, 2003, we had 183 employees in our offices in the United States, Romania, Czech Republic and Israel.

Financial Highlights of Q4 2003

- Revenues were \$3.64 million, a 42% increase over the fourth quarter of 2002.
- Operating income was \$435 thousand, an increase of 310% over the fourth quarter of 2002 as net operating income was \$738 thousand.
- Net income was \$1.08 million or \$0.05 per diluted share, compared with a net income of \$932 thousand or \$0.04 per share in the fourth quarter of 2002.
- Cash position decreased by \$2.17 million to \$44.9 million on December 31, 2003, after a distribution of \$2.93 million, offset by a cash increase of \$760 thousand.

Year 2003 Financial Highlights

- Revenues were \$12.94 million, a 29% increase over 2002.
- Operating income was \$1.2 million, versus a loss of \$1.6 million in 2002.
- Net income was \$3.63 million or \$0.17 per diluted share, compared with a net income of \$334 thousand or \$0.02 per diluted share in 2002.
- Cash flow from operations was \$2.84 million.

Revenue Distribution for Q4 2003

The geographic revenue breakdown, as a percentage of total revenues, was as follows: sales in Israel represented 62%, Africa represented 20%, the Americas represented 11% and Europe represented 7%.

Revenue from our customer care and billing software totaled \$2.95 million, while revenue from enterprise call management software was \$687 thousand. The revenue breakdown from our business products was \$2.45 million, or 67%, from licenses, \$783 thousand, or 22%, from maintenance and support, \$100 thousand, or 11%, from services.

Revenue Distribution for Full Year 2003

The geographic revenue breakdown, as a percentage of total revenues, was as follows: sales in Israel represented 47%, the Americas represented 18%, Africa represented 15%, APAC represented 12% and Europe represented 8%.

Revenue from our customer care and billing software totaled \$10.39 million, while revenue from enterprise call management software was \$2.55 million. The revenue breakdown from our business products was \$8.11 million, or 63%, from licenses, \$3.37 million, or 26%, from maintenance and support, \$100 thousand, or 11%, from services.

Dividend Distribution

As previously announced, the Company adopted a dividend policy on July 15, 2003 according to which dividends will be subject to Board approval prior to each dividend declaration and subject to the Companies Act, 1999. The Company will declare a cash dividend once per calendar year in an amount equal to the Company's net profits for the preceding calendar year.

On February 10, 2004, the Board declared a cash dividend in the amount equal to our 2003 net profits, which is approximately \$3.63 million. After deduction of a 25% tax payable by the Company on the amount of the dividend (because the dividend is from income that was tax exempt), a cash dividend of \$0.1105 per share will be distributable to shareholders, subject to an Israeli withholding tax of 15%. Accordingly, each share will receive \$0.1105 per share after deduction of taxes required by the Israeli Tax Authority.

The record date for the dividend will be February 24, 2004, at 5:00 p.m. (New York time) and the payment date will be March 8, 2004.

Conference Call Information

MIND will host a conference call on February 11, at 8:30 a.m., Eastern Standard Time, to discuss the Company's fourth quarter and 2003 results and other financial and business information. The call will be carried live on the Internet via www.fulldisclosure.com and the MIND website, www.mindcti.com. For shareholders unable to listen to the live web cast, a replay will be available.

About MIND

MIND is a leading global provider of real-time mediation, rating, billing and customer care solution paid and post-paid voice, data and content. Our customers include worldwide leading carriers millions of subscribers, using our end-to-end solutions for the deployment of new services. MIND from offices in the United States, Europe, China and Israeli headquarters.

For financial information, reports and presentations, please visit the Investor Relations page at <http://www.mindcti.com/ir>

Cautionary Statement for Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995. The following statements are forward-looking statements other than historical facts included in the foregoing press release regarding the Company's business strategy and financial outlook. These statements are based on management's beliefs and assumptions and on information currently available to management. Forward-looking statements are not guarantees of future performance, and actual results may materially differ from those projected in the forward-looking statements. Forward looking statements involve risks, uncertainties, and assumptions, including the risks discussed in the Company's annual report on Form 20-F and the risks discussed in the Company's annual report on Form 10-K. The Company does not undertake to update any forward-looking information.

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Tables to follow

MIND C.T.I. LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31,	September
	2003	2002
	(Audited)	(Unaudited)
	U.S. \$ in thousands	
A s s e t s		
CURRENT ASSETS:		
Cash and cash equivalents	4,391	11,312
Accounts receivable:		
Trade	2,181	2,026
Other	864	658
Inventories	11	14
T o t a l current assets	7,447	14,010
LONG-TERM BANK DEPOSITS	40,482	31,631
PROPERTY AND EQUIPMENT , net	1,182	1,363
OTHER ASSETS, net of accumulated amortization	868	963
T o t a l assets	49,979	47,967
Liabilities and shareholders' equity		
CURRENT LIABILITIES -		
accounts payable and accruals:		
Trade	718	167
Other	2,723	2,509
T o t a l current liabilities	3,441	2,676
ACCRUED SEVERANCE PAY	998	809
T o t a l liabilities	4,439	3,485
SHAREHOLDERS' EQUITY:		
Share capital	52	52
Additional paid-in capital	58,515	61,090
Accumulated deficit	(13,027)	(16,660)
T o t a l shareholders' equity	45,540	44,482
T o t a l liabilities and shareholders' equity	49,979	47,967

MIND C.T.I. LTD.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Twelve months ended December 31,		Three months ended December 31,	
	2003	2002	2003	2002
	(Audited)		(Unaudited)	
	U.S. \$ in thousands (except per share data)			
REVENUES	\$ 12,936	\$ 10,008	\$ 3,642	\$ 2,970
COST OF REVENUES	<u>3,208</u>	<u>2,479</u>	<u>902</u>	<u>1,000</u>
GROSS PROFIT	9,728	7,529	2,740	1,970
RESEARCH AND DEVELOPMENT EXPENSES - net	3,319	3,723	889	1,000
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:				
Selling	4,065	4,154	1,120	1,000
General and administrative	<u>1,149</u>	<u>1,279</u>	<u>296</u>	<u>296</u>
OPERATING INCOME (LOSS)	1,195	(1,627)	435	(326)
FINANCIAL AND OTHER INCOME - net	<u>2,607</u>	<u>2,078</u>	<u>738</u>	<u>1,000</u>
INCOME BEFORE TAXES ON INCOME	3,802	451	1,173	674
TAXES ON INCOME	<u>169</u>	<u>117</u>	<u>94</u>	<u>117</u>
NET INCOME	<u>\$ 3,633</u>	<u>\$ 334</u>	<u>\$ 1,079</u>	<u>\$ 557</u>
EARNINGS PER ORDINARY SHARE:				
Basic	<u>\$0.18</u>	<u>\$0.02</u>	<u>\$0.06</u>	<u>\$0.05</u>
Diluted	<u>\$0.17</u>	<u>\$0.02</u>	<u>\$0.05</u>	<u>\$0.04</u>
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES USED IN COMPUTATION OF EARNING PER ORDINARY SHARE – IN THOUSANDS:				
Basic	<u>20,732</u>	<u>20,677</u>	<u>20,744</u>	<u>20,677</u>
Diluted	<u>21,143</u>	<u>20,761</u>	<u>21,170</u>	<u>20,677</u>

MIND C.T.I. LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31		Three months ended December 31	
	2003	2002	2003	2002
	(U.S. dollars in thousands)			
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	\$ 3,633	\$ 334	\$ 1,079	\$ 93
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	806	944	189	20
Deferred income taxes - net	(8)	16		
Compensation expense resulting from options granted to employees		138		3
Accrued severance pay	189	37	56	4
Capital loss (gain) on sale of property and equipment - net	(35)	14	(24)	
Interest accrued on short-term bank deposits	(2,159)	(1,631)	(657)	(80)
Changes in operating asset and liability items:				
Decrease (increase) in accounts receivable:				
Trade	(155)	888	(705)	60
Other	(198)	281	(16)	5
Increase (decrease) in accounts payable and Accruals:				
Trade	551	(318)	494	(30)
Other	214	1,023	(475)	25
Decrease in inventories	3	12	3	1
Net cash provided by (used in) operating activities	2,841	1,738	(56)	1,07
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property and equipment	(499)	(180)	(117)	(4)
Investment in short-term bank deposits	(77,000)	(30,000)	(37,000)	
Withdrawal of long-term bank deposits	70,308		38,133	
Severance pay funded	(105)	(37)	(32)	(3)
Proceeds from sale of fixed assets	109	49	50	
Net cash provided by (used in) investing activities	(7,187)	(30,168)	1,034	(7)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Employee stock options exercised and paid	354	19	257	1
Reduction of premium share	(2,929)		(2,929)	
Net cash provided by (used in) financing activities	(2,575)	19	(2,672)	1
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,921)	(28,411)	(1,694)	1,01
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	11,312	39,723	6,085	10,30
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 4,391	\$ 11,312	\$ 4,391	\$ 11,31