



MTS Announces Financial Results for the Three and Six Month Periods Ended June 30, 2008

Ra'anana, Israel –August 7, 2008 – MTS – Mer Telemanagement Solutions Ltd. (Nasdaq Capital Market: MTSL), a global provider of business support systems (BSS) for comprehensive telecommunication management and customer care & billing (CC&B) solutions, today announced its financial results for the three and six month periods ended June 30, 2008.

Revenues for the second quarter of 2008 were \$2.4 million, compared with \$2.5 million for the same quarter last year. The Company's operating loss declined to \$113,000 in the second quarter of 2008 compared to an operating loss of \$2.7 million for the second quarter of 2007. Revenues for the six month period ended June 30, 2008 were \$4.8 million, compared with \$5.0 million for the comparable period in 2007.

Net loss for the second quarter was \$156,000 or (\$0.02) per diluted share, compared with a net loss of \$2.8 million or (\$0.49) per diluted share in the second quarter of 2007. This decrease in our loss was mainly attributable to a \$2.3 million impairment of goodwill and other intangible assets that the Company recorded during the second quarter of 2007 and due to our focus on reducing the Company's operating expenses. Net income for the six months ended June 30, 2008 quarter was \$183,000 or \$0.03 per diluted share, compared with a net loss of \$3.4 million or (\$0.59) per diluted share in the comparable period in 2007.

The Company ended the second quarter with approximately \$1.3 million in cash and cash equivalents, including marketable securities.

"Even though the economic environment has entered a period of slowdown and the decline in the exchange rate between the US dollar and other major currencies has negatively affected our profit and loss statement, we were able to maintain our level of revenues and decrease our operating expenses significantly," said Eytan Bar, CEO of MTS. "We believe that we are on the right track to achieve improved operating results."

"We are committed to closely monitoring our operating expenses and reducing our overall costs as well as achieving revenue growth," continued Mr. Bar. "The Company has strengthened its main financial indicators and we intend to focus on our search for new opportunities and on expanding our core business," concluded Mr. Bar.

About MTS

Mer Telemanagement Solutions Ltd. (MTS) is a worldwide provider of innovative solutions for comprehensive telecommunications expense management (TEM) used by enterprises, and for business support systems (BSS) used by information and telecommunication service providers. Since 1984, MTS Telecommunications' expense management solutions have been used by thousands of enterprises and organizations to ensure that their telecommunication services are acquired, provisioned, and invoiced correctly. In addition, the MTS's Application Suite has provided customers with a unified view of telecommunication usage, proactive budget control, personal call management, employee cost awareness and more.

MTS's solutions for Information and Telecommunication Service Providers are used worldwide by wireless and wireline service providers for interconnect billing, partner revenue management and for charging and invoicing their customers. MTS has pre-configured solutions to support emerging carriers of focused solutions (e.g. IPTV, VoIP, MVNO) to rapidly install a full-featured and scalable solution. MTS's unique technology reduces integration risks and lessens revenue leakage by using the very same system to manage retail and wholesale business as well as supporting multiple business units. Total cost of ownership (TCO) is reduced by providing web-based customer self-care and provisioning.

Headquartered in Israel, MTS markets its solutions through wholly owned subsidiaries in the United States, Hong Kong, The Netherlands, and Brazil, as well as through OEM partnerships with Siemens, Phillips, NEC and other vendors. MTS shares are traded on the NASDAQ Capital Market (symbol MTSL). For more information please visit the MTS web site: www.mtsint.com.

Forward-Looking and Cautionary Statements

Certain matters discussed in this news release are forward-looking statements that involve a number of risks and uncertainties including, but not limited to, risks in product development plans and schedules, rapid technological change, changes and delays in product approval and introduction, customer acceptance of new products, the impact of competitive products and pricing, market acceptance, the lengthy sales cycle, proprietary rights of the Company and its competitors, risk of operations in Israel, government regulations, dependence on third parties to manufacture products, general economic conditions and other risk factors detailed in the Company's filings with the United States Securities and Exchange Commission.

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CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	June 30, 2008	December 31, 2007
	Unaudited	Audited
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,065	\$ 1,437
Marketable securities	221	169
Trade receivables (net of allowance for bad debt of \$ 720 as of June 30, 2008 and \$ 882 as of December 31, 2007)	1,320	1,172
Unbilled receivables	117	129
Other accounts receivable and prepaid expenses	246	544
Other investments	-	221
Inventories	76	66
<u>Total current assets</u>	<u>3,045</u>	<u>3,738</u>
LONG- TERM ASSETS:		
Severance pay fund	776	730
Other investments	44	3
Deferred income taxes	123	123
<u>Total long-term assets</u>	<u>943</u>	<u>856</u>
PROPERTY AND EQUIPMENT, NET	<u>236</u>	<u>283</u>
OTHER ASSETS:		
Goodwill	2,796	2,796
Other intangible assets, net	708	805
<u>Total other assets</u>	<u>3,504</u>	<u>3,601</u>
<u>Total assets</u>	<u>\$ 7,728</u>	<u>\$ 8,478</u>

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	<u>June 30, 2008</u>	<u>December 31, 2007</u>
	<u>Unaudited</u>	<u>Audited</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short term bank credit and current maturities of bank loan	\$ 119	\$ 606
Trade payables	277	447
Accrued expenses and other liabilities	2,358	3,309
Deferred revenues	1,247	1,390
	<u>4,001</u>	<u>5,752</u>
<u>Total</u> current liabilities		
	<u>4,001</u>	<u>5,752</u>
LONG-TERM LIABILITIES - accrued severance pay	<u>1,189</u>	<u>1,157</u>
SHAREHOLDERS' EQUITY:		
Share capital -		
Ordinary shares of NIS 0.01 par value - Authorized: 12,000,000 shares at December 31, 2007 and June 30, 2008; Issued: 5,784,645 at December 31, 2007 and 6,534,645 at June 30, 2008; Outstanding: 5,773,845 at December 31, 2007 and 6,523,845 at June 30, 2008.	19	17
Additional paid-in capital	16,964	16,201
Treasury shares (10,800 Ordinary shares)	(29)	(29)
Accumulated other comprehensive income	33	12
Accumulated deficit	(14,449)	(14,632)
	<u>2,538</u>	<u>1,569</u>
<u>Total</u> shareholders' equity		
	<u>2,538</u>	<u>1,569</u>
<u>Total</u> liabilities and shareholders' equity	<u>\$ 7,728</u>	<u>\$ 8,478</u>

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Six months ended		Three months ended	
	June 30,		June 30,	
	2008	2007	2008	2007
	Unaudited		Unaudited	
Revenues:				
Products sales	\$ 2,918	\$ 3,070	\$ 1,391	\$ 1,553
Services	1,905	1,881	1,024	952
Total revenues	4,823	4,951	2,415	2,505
Cost of revenues:				
Products sales	723	856	327	467
Services	333	525	203	286
Total cost of revenues	1,056	1,381	530	753
Gross profit	3,767	3,570	1,885	1,752
Operating expenses:				
Research and development	1,412	1,448	688	562
Selling and marketing	1,016	1,639	482	803
General and administrative	1,477	1,519	828	821
Impairment of goodwill and other intangible assets	-	2,312	-	2,312
Total operating expenses	3,905	6,918	1,998	4,498
Operating loss	(138)	(3,348)	(113)	(2,746)
Financial income (expenses), net	(61)	(13)	(43)	2
Capital gain on sale of other investment	382	-	-	-
Income (loss) before taxes on income	183	(3,361)	(156)	(2,744)
Taxes on income	-	-	-	-
Income (loss) before equity in earnings of affiliate	183	(3,361)	(156)	(2,744)
Equity in earnings of affiliate	-	(26)	-	(58)
Net income (loss)	\$ 183	\$ (3,387)	\$ (156)	\$ (2,802)
Net income (loss) per share:				
Basic and diluted net income (loss) per Ordinary share	\$ 0.03	\$ (0.59)	\$ (0.02)	\$ (0.49)
Weighted average number of Ordinary shares used in computing basic and diluted net income (loss) per share	6,350,768	5,773,845	6,523,845	5,773,845