



## **MTS Announces First Quarter 2008 Financial Results**

**Ra'anana, Israel –May 14, 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 first quarter of 2008.

Revenues for the first quarter of 2008 were \$2.4 million, compared with revenues of \$2.2 million in the fourth quarter of 2007 and \$2.4 million at the same quarter last year. The Company's operating loss declined significantly to \$17,000 in the first quarter of 2008 compared to an operating loss of \$602,000 for the first quarter of 2007.

Net profit for the first quarter was \$339,000 or \$0.05 per diluted share, compared with a net loss of \$585,000 or (\$0.10) per diluted share in the first quarter of 2007.

This net profit is mainly attributable to a reduction in operating expenses as well as a capital gain of approximately \$380,000 that resulted from the Company's sale of its ownership interest in cVidya Networks Inc. in the first quarter of 2008.

During the quarter, the Company completed a \$750,000 private placement transaction, which is reflected in its balance sheet as of the report date. The Company ended the first quarter with approximately \$1.8 million in cash and cash equivalents, including marketable securities.

"We are pleased to report an improved start to the year, especially in an economic environment that has entered a period of slowdown," said Eytan Bar, CEO of MTS. "We believe that we are on the right track as our increased sales activity generated \$2.7 million of new orders during the first quarter of 2008. We are working to translate our pipeline of orders into revenues and improved cash flow."

"Our first quarter results were generally in line with our expectations for improved operating results. They reflect the focus we placed on improving our implementation processes while closely monitoring and reducing our overall costs. During the last six months we executed on our recovery plan and were fully focused on reducing our operating expenses and achieving revenue growth," continued Mr. Bar. "The Company has strengthened its main financial indicators and is now able to focus on its search for new opportunities and on expanding its core business."

"We see market opportunities and are ready to leverage our solutions. We are looking forward to improve both our top and bottom line performance," 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 scaleable 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](http://www.mtsint.com).

*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

	<u>March 31,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,645	\$ 1,437
Marketable securities	191	169
Trade receivables	1,348	1,172
Unbilled receivables	122	129
Other accounts receivable and prepaid expenses	530	544
Other investments	-	221
Inventories	64	66
<u>Total current assets</u>	<u>3,900</u>	<u>3,738</u>
LONG-TERM ASSETS:		
Severance pay fund	637	730
Other investments	3	3
Deferred income taxes	123	123
<u>Total long-term assets</u>	<u>763</u>	<u>856</u>
PROPERTY AND EQUIPMENT, NET	<u>257</u>	<u>283</u>
OTHER ASSETS:		
Goodwill	2,796	2,796
Other intangible assets, net	756	805
<u>Total other assets</u>	<u>3,552</u>	<u>3,601</u>
<u>Total assets</u>	<u>\$ 8,472</u>	<u>\$ 8,478</u>

**CONSOLIDATED BALANCE SHEETS**

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

	<u>March 31,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short term bank credit and current maturities of bank loan	\$ 362	\$ 606
Trade payables	432	447
Accrued expenses and other liabilities	2,473	3,309
Deferred revenues	1,413	1,390
<u>Total current liabilities</u>	<u>4,680</u>	<u>5,752</u>
LONG-TERM LIABILITIES - accrued severance pay	<u>1,088</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 March 31, 2008; Issued: 5,784,645 shares at December 31, 2007 and 6,534,645 at March 31, 2008 respectively; Outstanding: 5,773,845 shares at December 31, 2007 and 6,523,845 at March 31, 2008 respectively	19	17
Additional paid-in capital	16,956	16,201
Treasury shares (10,800 Ordinary shares at December 31, 2007 and March 31, 2008)	(29)	(29)
Accumulated other comprehensive income	51	12
Accumulated deficit	(14,293)	(14,632)
<u>Total shareholders' equity</u>	<u>2,704</u>	<u>1,569</u>
<u>Total liabilities and shareholders' equity</u>	<u>\$ 8,472</u>	<u>\$ 8,478</u>

**CONSOLIDATED STATEMENTS OF OPERATIONS**

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

	Three months ended	
	March 31,	
	2008	2007
Revenues:		
Product sales	\$ 1,527	\$ 1,621
Services	881	825
<u>Total revenues</u>	<u>2,408</u>	<u>2,446</u>
Cost of revenues:		
Product sales	396	487
Services	130	141
<u>Total cost of revenues</u>	<u>526</u>	<u>628</u>
Gross profit	<u>1,882</u>	<u>1,818</u>
Operating expenses:		
Research and development	724	886
Selling and marketing	534	836
General and administrative	641	698
<u>Total operating expenses</u>	<u>1,899</u>	<u>2,420</u>
Operating loss	(17)	(602)
Financial expenses, net	(26)	(15)
Capital gain on sale of other investment	382	-
Income (loss) before taxes on income	339	(617)
Taxes on income	-	-
Income (loss) before equity in earnings of affiliate	339	(617)
Equity in earnings of affiliate	-	32
Net income (loss)	<u>\$ 339</u>	<u>\$ (585)</u>
Net income (loss) per share:		
Basic and diluted net income (loss) per Ordinary share	<u>\$ 0.05</u>	<u>\$ (0.10)</u>
Weighted average number of Ordinary shares used in computing basic and diluted net income (loss) per share	<u>6,177,691</u>	<u>5,773,845</u>