



## **MTS Announces Fourth Quarter 2007 Financial Results**

**Ra'anana, Israel – March 4, 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 fourth quarter of 2007 and the year ended December 31, 2007.

Revenues for the fourth quarter of 2007 were \$2.2 million, compared with revenues of \$2.3 million in the fourth quarter of 2006. Revenues for the twelve month period ended December 31, 2007 were \$9.3 million, compared with revenues of \$10.5 million for the 2006 twelve month period.

Net loss for the fourth quarter was \$760,000 or (\$0.13) per diluted share, compared with a net loss of \$669,000 or (\$0.12) per diluted share in the fourth quarter of 2006. Net loss for the twelve month period ended December 31, 2007 increased to \$5.8 million or (\$1.01) per diluted share, compared with a net loss of \$2.2 million or (\$0.39) per diluted share for the 2006 twelve month period.

This increased net loss for the twelve month period ended December 31, 2007 is mainly attributable to a \$2.3 million impairment charge relating to the goodwill arising from the acquisition of Teleknowledge in 2004, an equity loss of \$197,000 from the sale of our ownership interest in Jusan S.A., an affiliate in which the Company held a 50% interest, an increase in our bad debts allowance and a one time sales tax assessment in our U.S. subsidiary.

Mr. Eytan Bar, MTS CEO commented "Although we are disappointed with our revenue decline in 2007, we believe that we are on the right track as our increased sales activity generated \$2.9 million of new orders during the fourth quarter of 2007. We are working to translate our pipeline of orders into revenues and improved cash flow."

"On the operational side, we are continuing to improve our implementation processes while closely monitoring and reducing our overall costs" continued Mr. Bar. "The sale of our ownership interest in Jusan S.A. during the fourth quarter and cVidya Networks Inc. in the first quarter of 2008 is the second step of our restructuring plan and efforts to improve the Company's cash position and working capital. Together with the \$750,000 investment of Mr. Lior Salansky, the Company has strengthened its main financial indicators and is now able to focus on its search for new opportunities and in expanding its core business." "We see the 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 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](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

	<b>December 31,</b>	
	<b>2006</b>	<b>2007</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,474	\$ 1,437
Short term bank deposits	100	-
Marketable securities	159	169
Trade receivables (net of allowance for doubtful accounts of \$ 505 and \$ 882 at December 31, 2006 and 2007, respectively)	2,484	1,172
Unbilled receivables	51	129
Other accounts receivable and prepaid expenses	763	544
Investment in other companies	-	221
Inventories	138	66
<u>Total current assets</u>	<u>5,169</u>	<u>3,738</u>
<b>LONG-TERM ASSETS:</b>		
Investments in an affiliate	1,598	-
Severance pay fund	673	730
Other investments	366	3
Deferred income taxes	112	153
<u>Total long-term assets</u>	<u>2,749</u>	<u>886</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>439</u>	<u>283</u>
<b>OTHER ASSETS:</b>		
Goodwill	4,058	2,796
Other intangible assets, net	1,639	805
<u>Total other assets</u>	<u>5,697</u>	<u>3,601</u>
<u>Total assets</u>	<u>\$ 14,054</u>	<u>\$ 8,508</u>

**CONSOLIDATED BALANCE SHEETS**

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

	<u>December 31,</u>	
	<u>2006</u>	<u>2007</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short term bank credit and current maturities on bank loan	\$ 421	\$ 606
Trade payables	510	447
Accrued expenses and other liabilities	2,507	3,339
Deferred revenues	<u>1,545</u>	<u>1,390</u>
<u>Total</u> current liabilities	<u>4,983</u>	<u>5,782</u>
LONG-TERM LIABILITIES:		
Long term bank loan	583	-
Accrued severance pay	<u>946</u>	<u>1,157</u>
<u>Total</u> long-term liabilities	<u>1,529</u>	<u>1,157</u>
COMMITMENTS AND CONTINGENT LIABILITIES		
SHAREHOLDERS' EQUITY:		
Share capital -		
Ordinary shares of NIS 0.01 par value - Authorized: 12,000,000 shares at December 31, 2006 and 2007; Issued: 5,784,645 shares at December 31, 2006 and 2007; Outstanding: 5,773,845 shares at December 31, 2006 and 2007	17	17
Additional paid-in capital	16,109	16,201
Treasury shares (10,800 Ordinary shares at December 31, 2006 and 2007)	(29)	(29)
Accumulated other comprehensive income	254	12
Accumulated deficit	<u>(8,809)</u>	<u>(14,632)</u>
<u>Total</u> shareholders' equity	<u>7,542</u>	<u>1,569</u>
<u>Total</u> liabilities and shareholders' equity	<u>\$ 14,054</u>	<u>\$ 8,508</u>

## CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Year ended December 31,		Three months ended December 31,	
	2006	2007	2006	2007
Revenues:				
Product sales	\$ 7,518	\$ 5,760	\$ 1,493	\$ 1,297
Services	2,966	3,578	821	903
<u>Total revenues</u>	<u>10,484</u>	<u>9,338</u>	<u>2,314</u>	<u>2,200</u>
Cost of revenues:				
Product sales	2,631	1,872	549	398
Services	724	864	165	167
<u>Total cost of revenues</u>	<u>3,355</u>	<u>2,736</u>	<u>714</u>	<u>565</u>
Gross profit	<u>7,129</u>	<u>6,602</u>	<u>1,600</u>	<u>1,635</u>
Operating expenses:				
Research and development, net of grants from the OCS	3,633	2,640	760	547
Selling and marketing	3,078	3,481	681	831
General and administrative	2,651	3,695	697	983
Impairment of goodwill and other intangible assets		2,312		
<u>Total operating expenses</u>	<u>9,362</u>	<u>12,128</u>	<u>2,138</u>	<u>2,361</u>
Operating loss	(2,233)	(5,526)	(538)	(726)
Financial income (expenses), net	(54)	(105)	(5)	(74)
Capital loss on sale of long-term investment		(63)		(63)
Loss before taxes on income	(2,287)	(5,694)	(543)	(863)
Tax on income (benefit), net	118	(68)	115	(68)
Loss before equity in earnings (loss) of affiliate	(2,405)	(5,626)	(658)	(795)
Equity in earnings (loss) of affiliate	159	(197)	(11)	35
Net loss	<u>\$ (2,246)</u>	<u>\$ (5,823)</u>	<u>\$ (669)</u>	<u>\$ (760)</u>
Net loss per share:				
Basic and diluted net loss per Ordinary share	<u>\$ (0.39)</u>	<u>\$ (1.01)</u>	<u>\$ (0.12)</u>	<u>\$ (0.13)</u>
Weighted average number of Ordinary shares used in computing basic and diluted net loss per share	<u>5,762,311</u>	<u>5,773,845</u>	<u>5,773,845</u>	<u>5,773,845</u>