



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

**Ra'anana, Israel – November 7, 2007 – 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 nine months ended September 30, 2007.

Revenues for the third quarter were \$2.2 million, compared with revenues of \$2.7 million in the third quarter of 2006. Revenues for the nine month period ended September 30, 2007 were \$7.1 million, compared with revenues of \$8.2 for the 2006 nine month period.

Net loss for the third quarter was \$1.7 million or \$0.29 diluted per share, compared with a net loss of \$644,000 or \$0.11 diluted per share, in the third quarter of 2006. Net loss for the nine month period ended September 30, 2007 was \$5.1 million, or \$0.88 diluted per share, compared with a net loss of \$1.6 million or \$0.27 diluted per share, for the 2006 nine month period.

This increased net loss for the nine month period ended September 30, 2007 is mainly attributable to a \$2.3 million impairment charge relating to the goodwill from the acquisition of Teleknowledge in 2004. In addition, the increase in the third quarter loss was mainly attributable to an expected loss of \$233,000 from the sale of the shares of Jusan S.A., an affiliate in which the Company holds 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 President & CEO commented "Our increased sales activity generated \$2.7 million of new orders during the third 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. We are also in process of selling our holdings in Jusan, our Spanish affiliate, for approximately \$1.0 million, in order to improve our cash position." concluded Mr. Bar.

### **Conference Call Information**

MTS will conduct a teleconference to discuss the third quarter results on Wednesday, November 7 at 11:00 a.m Eastern Time/6:00 p.m Israel time.

To access the conference call, please dial +1-800-860-2442 (U.S.), +1-412-858-4600 (international), at least 10 minutes prior to commencement of the call. Reference the MTS conference call or conference ID #MTS.

A replay of the call will be available from November 7 through 11:59 p.m. EST on November 14. To access the replay, please dial +1-800-860-2442.

## **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**

	<b>September 30,</b>		<b>December 31,</b>
	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>Unaudited</b>		<b>Audited</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 975	\$ 1,557	\$ 1,474
Short term bank deposit	-	-	100
Marketable securities	171	153	159
Trade receivables, net (net of allowance for bad debt of \$ 867 as of September 30, 2007 and \$ 505 as of September 30, 2006 and December 31, 2006)	1,578	2,361	2,484
Unbilled receivables	44	220	51
Other accounts receivable and prepaid expenses	1,690	692	763
Inventories	62	137	138
<b>Total</b> current assets	<b>4,520</b>	<b>5,120</b>	<b>5,169</b>
<b>LONG- TERM INVESTMENTS:</b>			
Investment in an affiliate	-	1,572	1,598
Severance pay fund	743	620	673
Other investments	327	365	366
Deferred income taxes	105	115	112
<b>Total</b> long-term investments	<b>1,175</b>	<b>2,672</b>	<b>2,749</b>
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>316</b>	<b>461</b>	<b>439</b>
<b>OTHER ASSETS:</b>			
Goodwill	2,796	4,069	4,058
Other intangible assets, net	853	1,781	1,639
<b>Total</b> other assets	<b>3,649</b>	<b>5,850</b>	<b>5,697</b>
<b>Total</b> assets	<b>\$ 9,660</b>	<b>\$ 14,103</b>	<b>\$ 14,054</b>

**CONSOLIDATED BALANCE SHEETS**

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

	<b>September 30,</b>		<b>December 31,</b>
	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>Unaudited</b>		<b>Audited</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Current maturities on bank loan	\$ 841	\$ 167	\$ 421
Trade payables	670	620	510
Accrued expenses and other liabilities	3,546	2,439	2,507
Deferred revenues	1,228	1,082	1,545
<b>Total current liabilities</b>	<b>6,285</b>	<b>4,308</b>	<b>4,983</b>
<b>LONG-TERM LIABILITIES:</b>			
Long term bank loan	-	833	583
Accrued severance pay	1,043	906	946
<b>Total long-term liabilities</b>	<b>1,043</b>	<b>1,739</b>	<b>1,529</b>
<b>SHAREHOLDERS' EQUITY:</b>			
Share capital -			
Ordinary shares of NIS 0.01 par value - Authorized: 12,000,000 shares at September 30, 2007 and 2006 and December 31, 2006; Issued: 5,784,645, at September 30, 2007 and 2006 and December 31, 2006; Outstanding: 5,773,845 shares at September 30, 2007 and 2006 and December 31, 2006	17	17	17
Additional paid-in capital	16,188	16,072	16,109
Treasury shares (10,800 Ordinary shares)	(29)	(29)	(29)
Accumulated other comprehensive income	28	136	254
Accumulated deficit	(13,872)	(8,140)	(8,809)
<b>Total shareholders' equity</b>	<b>2,332</b>	<b>8,056</b>	<b>7,542</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 9,660</b>	<b>\$ 14,103</b>	<b>\$ 14,054</b>

## CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2007	2006 Unaudited	2007	2006	2006 Audited
Revenues	\$ 7,138	\$ 8,170	\$ 2,187	\$ 2,652	\$ 10,484
Cost of revenues	2,171	2,641	790	813	3,355
Gross profit	4,967	5,529	1,397	1,839	7,129
Operating expenses:					
Research and development, net	2,093	2,873	645	915	3,633
Selling and marketing	2,650	2,397	1,011	814	3,078
General and administrative	2,712	1,954	1,193	746	2,651
Impairment of goodwill and other intangible assets	2,312	-	-	-	-
<u>Total operating expenses</u>	9,767	7,224	2,849	2,475	9,362
Operating loss	(4,800)	(1,695)	(1,452)	(636)	(2,233)
Financial expenses, net	(31)	(49)	(18)	(60)	(54)
Other expenses	(233)	-	(233)	-	-
Loss before taxes on income	(5,064)	(1,744)	(1,703)	(696)	(2,287)
Taxes on income	-	3	-	-	118
Loss before equity in earnings of affiliate	(5,064)	(1,747)	(1,703)	(696)	(2,405)
Equity in earnings of affiliate	1	170	27	52	159
Net loss	<u>\$ (5,063)</u>	<u>\$ (1,577)</u>	<u>\$ (1,676)</u>	<u>\$ (644)</u>	<u>\$ (2,246)</u>
Basic and diluted net loss per Ordinary share	<u>\$ (0.88)</u>	<u>\$ (0.27)</u>	<u>\$ (0.29)</u>	<u>\$ (0.11)</u>	<u>\$ (0.39)</u>
Weighted average number of Ordinary shares used in computing basic and diluted net loss per share	<u>5,773,845</u>	<u>5,758,850</u>	<u>5,773,845</u>	<u>5,765,289</u>	<u>5,762,311</u>