



MTS Reports Operating Cash Flow of \$247,000 in the First Quarter of 2009

Ra'anana, Israel –May 14, 2009 – MTS – Mer Telemanagement Solutions Ltd. (Nasdaq Capital Market: MTSL), a global provider of business support systems (BSS) for comprehensive telecommunication management, telecommunications expense management (TEM) solutions and customer care & billing (CC&B) solutions, today announced its financial results for the first quarter of 2009.

Revenues for the first quarter of 2009 were \$2.8 million, compared with revenues of \$1.9 million in the fourth quarter of 2008 and \$2.4 million at the same quarter last year. The results of the first quarter of 2009 include the operations of the AnchorPoint business that was acquired in December 2008.

The Company's operating loss was \$322,000 in the first quarter of 2009 compared to an operating loss of \$25,000 for the first quarter of 2008. Net loss for the first quarter was \$264,000 or \$(0.03) per diluted share, compared with a net profit of \$339,000 or \$0.05 per diluted share in the first quarter of 2008. The results of the first quarter of 2008 include a capital gain of approximately \$382,000 from the sale of our ownership interest in cVidya Networks Inc.

"Although we are disappointed with our operating loss, MTS was able to generate positive cash flow for the third consecutive quarter. The gap between our operating loss and positive cash flow is mainly due to the delay we are facing in revenue recognition due to our product implementation processes in connection with our sales. We are working diligently to translate our pipeline of orders into revenues this year," said Mr. Lior Salansky, MTS President. "This quarter's results also reflect the impact of the integration of the AnchorPoint operations and the resulting higher amortization of intangible assets. We believe that our significant backlog at March 31, 2009 will assist us to overcome the unstable economic environment," concluded Mr. Salansky.

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.

AnchorPoint TEM solutions that MTS acquired on December 2008 enable enterprises to gain visibility and control of strategic assets that drive key business processes and crucial competitive advantage. The AnchorPoint's software, consulting and managed services solutions -- including integrated Invoice, Asset, and Usage Management and Business Analytics tools -- provide professionals at every level of the organization with rapid access to concise, actionable data.

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, WiMAX, MVNO) to rapidly install a full-featured and scalable solution.

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.

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>2009</u>	<u>December 31,</u> <u>2008</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,053	\$ 2,009
Restricted Marketable securities	182	196
Trade receivables, net	1,378	1,223
Unbilled receivables	147	133
Other accounts receivable and prepaid expenses	417	318
Inventories	135	112
<u>Total current assets</u>	<u>4,312</u>	<u>3,991</u>
LONG-TERM ASSETS:		
Severance pay fund	665	682
Other investments	33	5
Deferred income taxes	40	40
<u>Total long-term assets</u>	<u>738</u>	<u>727</u>
PROPERTY AND EQUIPMENT, NET	<u>270</u>	<u>227</u>
OTHER ASSETS:		
Goodwill	3,479	3,479
Other intangible assets, net	2,101	2,198
<u>Total other assets</u>	<u>5,580</u>	<u>5,677</u>
<u>Total assets</u>	<u>\$ 10,900</u>	<u>\$ 10,622</u>

CONSOLIDATED BALANCE SHEETS

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

	<u>March 31,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short term bank credit	\$ 45	\$ 45
Trade payables	821	712
Accrued expenses and other liabilities	2,575	2,638
Deferred revenues	2,870	2,323
	<u>6,311</u>	<u>5,718</u>
<u>Total current liabilities</u>		
LONG-TERM LIABILITIES -		
Accrued severance pay	1,045	1,105
	<u>1,045</u>	<u>1,105</u>
COMMITMENTS AND CONTINGENT LIABILITIES		
SHAREHOLDERS' EQUITY:		
Share capital	26	26
Additional paid-in capital	19,430	19,410
Treasury shares	(29)	(29)
Accumulated other comprehensive income	(27)	(16)
Accumulated deficit	(15,856)	(15,592)
	<u>3,544</u>	<u>3,799</u>
<u>Total shareholders' equity</u>		
<u>Total liabilities and shareholders' equity</u>	<u>\$ 10,900</u>	<u>\$ 10,622</u>

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Three months ended	
	March 31,	
	2009	2008
Revenues:		
Product sales	\$ 1,299	\$ 1,527
Services	1,493	881
<u>Total revenues</u>	<u>2,792</u>	<u>2,408</u>
Cost of revenues:		
Product sales	474	396
Services	465	130
<u>Total cost of revenues</u>	<u>939</u>	<u>526</u>
Gross profit	<u>1,853</u>	<u>1,882</u>
Operating expenses:		
Research and development, net of grants from the OCS	520	724
Selling and marketing	777	534
General and administrative	878	649
<u>Total operating expenses</u>	<u>2,175</u>	<u>1,907</u>
Operating loss	(322)	(25)
Financial income (expenses), net	58	(18)
Capital gain (loss) on sale investment	-	382
Income (loss) before taxes on income	(264)	339
Tax on income, net	-	-
Income (loss) before equity in earnings (loss) of affiliate	<u>(264)</u>	<u>339</u>
Net income (loss)	<u>\$ (264)</u>	<u>\$ 339</u>
Net Income (loss) per share:		
Basic and diluted net income (loss) per Ordinary share	<u>\$ (0.03)</u>	<u>\$ 0.05</u>
Weighted average number of Ordinary shares used in computing basic and diluted net loss per share	<u>8,917,950</u>	<u>6,326,043</u>