FOR IMMEDIATE RELEASE
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(BW) (TRANSCEND SERVICES, INC.) (TRCR)

TRANSCEND REPORTS 51% INCREASE IN OPERATING INCOME, RECORD CASH FLOW AND EARNINGS PER SHARE OF $.16

Atlanta, Georgia. TRANSCEND SERVICES, INC. (NASDAQ: TRCR), the third largest provider of medical transcription services to the U.S. healthcare market, today announced its results for the quarter ended June 30, 2008.

Revenue for the second quarter of 2008 was $11,973,000, an increase of $1,454,000, or 14%, over second quarter 2007 revenue of $10,519,000. Operating income was $2,201,000, an increase of $748,000, or 51%, over second quarter 2007 operating income of $1,453,000. Cash flow from operations for the second quarter of 2008 was a record $3,193,000.

Diluted earnings per share was $.16 in the second quarter of 2008 at an effective income tax rate of 35% compared to $.16 in the second quarter of 2007 at an effective income tax rate of 0%. For comparative purposes, if second quarter 2007 pre-tax results had been taxed at the same effective rate as that used in the second quarter of 2008, earnings per share for the second quarter of 2007 would have been $.10. Cash flow from operations per share[1] increased 89% to $.36 per share in the second quarter of 2008 from $.19 per share in the second quarter of 2007.

"We made excellent progress in executing our business plan this past quarter," stated Larry Gerdes, President and Chief Executive Officer. "We are retaining our customers by providing excellent service, driving sales by capitalizing on our reputation for outstanding service and achieving operating leverage through the deployment of speech recognition technology and use of offshore resources."

"Customer satisfaction continues to be our top priority," stated Sue McGrogan, Chief Operating Officer. "We are pleased to report that we had 99% customer retention for the first half of 2008. As we reported earlier this month, we were the top ranked company in the medical transcription industry in the KLAS MTSO Study 2008. This is the first time that a company of Transcend's size has been ranked number one, and we are honored that our customers have put us at the top in a competitive industry. I want to thank our employees for all of their hard work, sense of urgency and focus on quality and timeliness. Our customers have taken notice."

"Our excellence in customer service has a direct impact on sales," added Leo Cooper, Executive Vice President of Sales and Marketing. "Hospital decision makers often use KLAS reports to narrow their search for potential vendors. We believe that Transcend's number one ranking in KLAS will give us the opportunity to participate in more decisions in the future. We sold new business in the second quarter which we estimate will generate revenue of $3.1 million per year when fully implemented by the end of 2008, including $2.6 million at eight new customers and another $0.5 million with existing customers. This brings our total sales for the year to an estimated $6.2 million of annual revenue once fully implemented. In 2007, we sold approximately $7.0 million for the entire year, so we are well ahead of last year's closure rate and are continuing to expand our sales pipeline."

Gross profit increased $1,186,000, or 37%, to $4,403,000 in the second quarter of 2008 from $3,217,000 in the second quarter of 2007. As a percentage of revenue, gross profit increased to 37% in the second quarter of 2008 from 31% in the second quarter of 2007.

Operating expenses, consisting of sales and marketing, research and development, general and administrative, and depreciation and amortization expenses, increased $438,000, or 25%, to $2,202,000, or 18% of revenue, compared to $1,764,000, or 17% of revenue, in the second quarter of 2007.

Operating income increased 51% to $2,201,000, or 18% of revenue, in the second quarter of 2008, compared to $1,453,000, or 14% of revenue, in the second quarter of 2007. EBITDA[2] was $2,402,000, or 20% of revenue in the second quarter of 2008, compared to $1,659,000 or 16% of revenue, in the second quarter of 2007.

"Our gross profit margin improvement was driven by the excellent progress we made in expanding the volume of reports that we edited on our BeyondTXT platform using speech recognition technology," reported Lance Cornell, Chief Financial Officer. "Approximately 29% of our total volume was edited on BeyondTXT in the second quarter, compared to 23% in the second quarter of 2007 and 24% in the first quarter of 2008. We couldn't be more pleased with these results. Our goal is to increase this percentage to at least 40% over the next two years, depending on the mix of work on our BeyondTXT platform versus other platforms."

"We also made excellent progress in expanding the use of offshore transcription resources, which improves our gross profit margins," continued Mr. Cornell. "We processed approximately 20% of our total volume offshore during the second quarter, compared to 13% in the second quarter of 2007 and 16% in the first quarter of 2008. We expect offshore volume as a percentage of total volume to grow gradually over the next several years, but we do not expect this growth to impact our domestic workforce. In fact, we anticipate the need to continue to hire U.S.-based transcriptionists."

"Our operating expenses in the second quarter included the expansion of our sales force and accounting and legal expenses related to our income tax-related restatements. I am extremely pleased to report EBITDA at 20% of revenue in the second quarter given these two additional expenditures," Mr. Cornell concluded.

Since the Company has significant net operating loss carryforwards, income tax expense is largely a non-cash expense until the net operating loss carryforwards are utilized, which is not expected to occur until some time after 2008.

Net income was $1,435,000 in the second quarter of 2008 at an effective tax rate of 35% compared to $1,373,000 in the second quarter of 2007 at an effective tax rate of 0%.

For the six months ended June 30, revenue increased 13% to $23,702,000 and operating income increased 52% to $4,367,000. Diluted earnings per share for the six months ended June 30, 2008 was $.31 at an effective tax rate of 36% compared to $.31 at an effective tax rate of 1% for the six months ended June 30, 2007.

As of June 30, 2008, the Company had $8,209,000 of cash and cash equivalents on hand and $875,000 in debt outstanding, $651,000 of which carries a 0% interest rate.

"Our record cash flow from operations of $3.2 million and 89% increase in cash flow from operations per share to $.36 were certainly among the most important financial highlights of the second quarter, reflecting not only strong operating results but also success in managing our working capital," concluded Mr. Gerdes. "We have a healthy balance sheet and are generating sufficient cash flow to give us flexibility to consider alternative uses for the cash, including financing acquisitions. The increase in our sales compared to last year has been encouraging. We are well-positioned as the top-ranked company in the medical transcription industry and believe the time is right for a new industry leader to distance itself from the pack. My thanks go out to all of our employees for helping us deliver excellent results for the quarter. I am particularly proud of our operations team and the reputation for excellence they have earned for our Company."

[1] Cash flow from operations per share is a non-GAAP measure of financial performance which management believes is useful to investors. For the second quarter of 2008, cash flow from operations of $3,193,000 was divided by 8,938,000 diluted shares outstanding, resulting in

cash flow from operations per share of $.36. For the second quarter of 2007, cash flow from operations of $1,665,000 was divided by 8,729,000 diluted shares outstanding, resulting in cash flow from operations per share of $.19.

[2] EBITDA, which is earnings before interest, taxes, depreciation and amortization, is a non-GAAP measure of financial performance which management believes is useful to investors. EBITDA of $2,402,000 for the second quarter of 2008 was calculated by taking operating income of $2,201,000 and adding back $201,000 of depreciation and amortization expense. EBITDA for the second quarter of 2007 was calculated by taking operating income of $1,453,000 and adding back $206,000 of depreciation and amortization expense.

Conference Call

Transcend will host a conference call regarding this press release for investors, analysts and other interested parties on July 24, 2008 at 11:00 a.m. ET. To participate in the conference call, please dial (800) 815-8193 (the US/Canada dial-in number) or (706) 643-2724 (the international dial-in number), enter the conference identification number 55177130 and, if asked, identify the conference name as Transcend Services and the leader name as Larry Gerdes. A replay of the conference call will be available by dialing (800) 642-1687 (US/Canada) or (706) 645-9291 (international) and entering the conference identification number 55177130 from two hours after the completion time of the conference call until midnight on July 31, 2008.

About Transcend Services, Inc.

Transcend believes that accurate, reliable and timely transcription creates the foundation for the patient medical record. To this end, the Company has created Internet-based, speech-recognition enabled, voice-to-text systems that allow its skilled medical language specialists to securely and quickly produce the highest quality medical documents. The Company's wide range of transcription and editing services encompass everything needed to securely receive, type, edit, format and distribute electronic copies of physician-dictated medical documents, from overflow projects to complete transcription outsourcing.

For more information, visit http://www.transcendservices.com.

This press release contains certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, that represent our expectations, anticipations or beliefs about future events, including our operating results, financial condition, liquidity, expenditures, and compliance with legal and regulatory requirements. For this purpose, any statements that are not statements of historical fact may be deemed to be forward-looking statements. These statements involve risks and uncertainties that could cause actual results to differ materially depending on a variety of important factors. Factors that might cause or contribute to such differences include, but are not limited to, competitive pressures, loss of significant customers, the mix of revenue, changes in pricing policies, delays in revenue recognition, lower-than-expected demand for the Company's products and services, business conditions in the integrated health care delivery network market, general economic conditions, and the risk factors detailed in our periodic, quarterly and annual reports on Forms 8-K, 10-Q and 10-K that we file with the Securities Exchange Commission ("SEC") from time to time. With respect to such forward-looking statements, we claim protection under the Private Securities Litigation Reform Act of 1995. Our SEC filings are available from us, and also may be examined at public reference facilities maintained by the SEC or, to the extent filed via EDGAR, accessed through the website of the SEC (http://www.sec.gov). In addition, factors that we are not currently aware of could harm our future operating results. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this press release. We undertake no obligation to make any revisions to the forward-looking statements or to reflect events or circumstances after the date of this press release.

(Unaudited Financial Statements Follow)

TRANSCEND SERVICES, INC.
CONSOLIDATED BALANCE SHEETS
(Rounded to the nearest thousand)

	June 30, 2008 (unaudited)	December 31, 2007 (as restated)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 8,209,000	$ 4,996,000
Accounts receivable, net of allowance for doubtful accounts of $115,000 and $85,000 at June 30, 2008 and December 31, 2007, respectively	4,613,000	5,092,000
Deferred income tax, net	2,034,000	2,704,000
Prepaid expenses and other current assets	451,000	289,000
Total current assets	15,307,000	13,081,000
Property and equipment:		
Computer equipment	3,685,000	3,507,000
Software	2,612,000	3,222,000
Furniture and fixtures	435,000	399,000
Total property and equipment	6,732,000	7,128,000
Accumulated depreciation and amortization	(5,235,000)	(5,738,000)
Property and equipment, net	1,497,000	1,390,000
Intangible assets:		
Goodwill	4,720,000	4,701,000
Other intangible assets	795,000	795,000
Total intangible assets	5,515,000	5,496,000
Accumulated amortization	(451,000)	(371,000)
Intangible assets, net	5,064,000	5,125,000
Deferred income tax, net	166,000	866,000
Other assets	243,000	287,000
Total assets	**$ 22,277,000**	**$ 20,749,000**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 769,000	$ 625,000
Accrued compensation and benefits	1,364,000	1,449,000
Promissory notes payable to related parties	110,000	1,332,000
Other accrued liabilities	632,000	856,000
Total current liabilities	2,875,000	4,262,000
Long term liabilities:		
Revolving promissory note	4,000	4,000
Promissory notes payable to related parties	110,000	165,000
Promissory notes payable	651,000	674,000
Other liabilities	2,000	10,000
Total long term liabilities	767,000	853,000
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value; 2,000,000 shares authorized and no shares outstanding at June 30, 2008 and December 31, 2007	-	-
Common stock, $0.05 par value; 15,000,000 shares authorized at June 30, 2008 and December 31, 2007; 8,448,000 and 8,435,000 shares issued and outstanding at June 30, 2008 and December 31, 2007, respectively	423,000	422,000
Additional paid-in capital	30,197,000	29,992,000
Retained deficit	(11,985,000)	(14,780,000)
Total stockholders' equity	18,635,000	15,634,000
Total liabilities and stockholders' equity	**$ 22,277,000**	**$ 20,749,000**

TRANSCEND SERVICES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited and rounded to the nearest thousand)

	Three months ended June 30,		Six months ended June 30,	
	2008	**2007**	**2008**	**2007**
Revenue	$ 11,973,000	$ 10,519,000	$ 23,702,000	$ 20,941,000
Direct costs	7,570,000	7,302,000	15,145,000	14,540,000
Gross profit	4,403,000	3,217,000	8,557,000	6,401,000
Operating expenses:				
Sales and marketing	301,000	164,000	489,000	296,000
Research and development	266,000	182,000	533,000	323,000
General and administrative	1,434,000	1,212,000	2,771,000	2,494,000
Depreciation and amortization	201,000	206,000	397,000	406,000
Total operating expenses	2,202,000	1,764,000	4,190,000	3,519,000
Operating income	2,201,000	1,453,000	4,367,000	2,882,000
Interest expense, net	9,000	75,000	16,000	190,000
Income before income taxes	2,192,000	1,378,000	4,351,000	2,692,000
Income taxes	757,000	5,000	1,556,000	22,000
Net income	$ 1,435,000	$ 1,373,000	$ 2,795,000	$ 2,670,000
Basic earnings per share:				
Net earnings per share	$ 0.17	$ 0.17	$ 0.33	$ 0.33
Weighted average shares outstanding	8,451,000	8,203,000	8,448,000	8,129,000
Diluted earnings per share:				
Net earnings per share	$ 0.16	$ 0.16	$ 0.31	$ 0.31
Weighted average shares outstanding	8,938,000	8,729,000	8,933,000	8,606,000