



MTS Announces Second Quarter 2011 Financial Results

Ra'anana, Israel –August 11, 2011 – 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 second quarter of 2011.

Revenues for the second quarter of 2011 were \$3.0 million, compared with \$3.1 million in revenues during the same quarter last year and revenues of \$2.8 million in the first quarter of 2011. The Company's operating profit was \$191,000 in the second quarter of 2011 compared to an operating profit of \$42,000 for the second quarter of 2010. Net income for the second quarter was \$229,000 or \$0.05 per diluted share, compared with net income of \$47,000 or \$0.01 per diluted share in the second quarter of 2010. Revenues for the six month period ended June 30, 2011 were \$5.8 million, compared with \$5.9 million for the comparable period in 2010. Net income for the six months ended June 30, 2010 was \$362,000 or \$0.08 per diluted share, compared with net income of \$45,000 or \$0.01 per diluted share in the comparable period in 2010.

“Our second quarter results were in line with our expectations for improved operating results. They reflect the focus we placed on improving our implementation processes while closely monitoring our overall costs,” said Alon Mualem, CFO of MTS. “We had cash and marketable securities of \$2.8 million at June 30, 2011, which reflects our improved operating cash flow of \$535,000 during the six month period ended June 30, 2011.”

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 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 scaleable solution.

Headquartered in Israel, MTS markets its solutions through wholly owned subsidiaries in the United States, Hong Kong and The Netherlands 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>June 30,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,664	\$ 2,124
Restricted marketable securities	149	147
Trade receivables, net	893	1,251
Other accounts receivable and prepaid expenses	190	174
Inventories	9	17
	<u>3,905</u>	<u>3,713</u>
<u>Total</u> current assets		
	<u>3,905</u>	<u>3,713</u>
LONG-TERM ASSETS:		
Severance pay fund	890	798
Other investments	9	4
Deferred income taxes	33	33
	<u>932</u>	<u>835</u>
<u>Total</u> long-term assets		
	<u>932</u>	<u>835</u>
PROPERTY AND EQUIPMENT, NET	<u>196</u>	<u>165</u>
OTHER ASSETS:		
Goodwill	3,479	3,479
Other intangible assets, net	1,232	1,415
	<u>4,711</u>	<u>4,894</u>
<u>Total</u> other assets		
	<u>4,711</u>	<u>4,894</u>
<u>Total</u> assets	<u>\$ 9,744</u>	<u>\$ 9,607</u>

CONSOLIDATED BALANCE SHEETS

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

	<u>June 30,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 226	\$ 305
Accrued expenses and other liabilities	2,065	2,085
Deferred revenues	2,176	2,452
Liabilities of discontinued operations	351	351
	<u>4,818</u>	<u>5,193</u>
<u>Total current liabilities</u>		
LONG-TERM LIABILITIES -		
Accrued severance pay	<u>1,165</u>	<u>1,051</u>
COMMITMENTS AND CONTINGENT LIABILITIES		
SHAREHOLDERS' EQUITY:		
Share capital	13	13
Additional paid-in capital	19,721	19,676
Treasury shares	(29)	(29)
Accumulated other comprehensive income	(13)	(4)
Accumulated deficit	<u>(15,931)</u>	<u>(16,293)</u>
<u>Total shareholders' equity</u>	<u>3,761</u>	<u>3,363</u>
<u>Total liabilities and shareholders' equity</u>	<u>\$ 9,744</u>	<u>\$ 9,607</u>

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Six months ended June 30,		Three months ended June 30,	
	2011	2010	2011	2010
Revenues:				
Product sales	\$ 2,007	\$ 2,387	\$ 994	\$ 1,270
Services	3,828	3,546	2,044	1,785
<u>Total revenues</u>	<u>5,835</u>	<u>5,933</u>	<u>3,038</u>	<u>3,055</u>
Cost of revenues:				
Product sales	581	930	268	526
Services	1,320	1,279	719	631
<u>Total cost of revenues</u>	<u>1,901</u>	<u>(*) 2,209</u>	<u>987</u>	<u>(*) 1,157</u>
Gross profit	<u>3,934</u>	<u>3,724</u>	<u>2,051</u>	<u>1,898</u>
Operating expenses:				
Research and development, net of grants from the OCS	945	671	470	346
Selling and marketing	1,026	(*) 1,281	518	(*) 648
General and administrative	1,768	1,697	872	862
<u>Total operating expenses</u>	<u>3,739</u>	<u>3,649</u>	<u>1,860</u>	<u>1,856</u>
Operating profit	195	75	191	42
Financial income (expenses), net	90	(18)	31	15
Capital gain on sale of investment	78	-	1	-
Income before taxes on income	363	57	223	57
Tax on income (benefit), net	1	12	(6)	10
Net income	<u>\$ 362</u>	<u>\$ 45</u>	<u>\$ 229</u>	<u>\$ 47</u>
Net Income per share:				
Basic and diluted net income per Ordinary share	<u>\$ 0.08</u>	<u>\$ 0.01</u>	<u>\$ 0.05</u>	<u>\$ 0.01</u>
Weighted average number of Ordinary shares used in computing basic and diluted net income per share	<u>4,459,057</u>	<u>4,459,043</u>	<u>4,459,057</u>	<u>4,459,030</u>

(*) reclassified