



MTS Announces Full Year and Fourth Quarter 2010 Financial Results

MTS Reports Operating profit of \$244,000 in Fourth Quarter 2010 and \$291,000 for the Full Year

Ra'anana, Israel –March 31, 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 fourth quarter and the year ended December 31, 2010.

Revenues for the fourth quarter of 2010 were \$3.0 million, compared with revenues of \$2.7 million in the fourth quarter of 2009. Revenues for the twelve month period ended December 31, 2010 were \$11.6 million, compared with revenues of \$11.4 million in the 2009 twelve month period.

Net income for the fourth quarter of 2010 was \$117,000 or \$0.03 per diluted share, compared with a net loss of \$168,000 or (\$0.04) per diluted share in the fourth quarter of 2009. Net income for the twelve month period ended December 31, 2010 was \$176,000 or \$0.04 per diluted share, compared with a net loss of \$877,000 or (\$0.20) per diluted share for the 2009 twelve month period.

As of March 2, 2010, a one-for-two reverse stock split of our issued and outstanding ordinary shares went into effect following the approval of shareholders at an extraordinary general meeting. All numbers for our ordinary shares and earnings per share have been adjusted to reflect the reverse stock split.

“We are pleased to report that MTS has made sustained changes in its operations by reducing operating expenses and seeking new business opportunities. The results of this process are reflected in the Company’s improved financial results and indicators” said Eytan Bar, CEO of MTS.

“We are committed to closely monitoring our operating expenses and reducing our overall costs as well as achieving revenue growth. The Company continues to develop Telecom Expense Management opportunities through partners and existing customers. In addition, the Company’s Billing and Mobile Virtual Network Operator’s (MVNO) activity has grown both as a licensed offering and as a managed service. We see 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.

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 scalable 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>December 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,124	\$ 2,173
Restricted marketable securities	147	227
Trade receivables, net	1,251	781
Other accounts receivable and prepaid expenses	174	376
Inventories	17	39
<u>Total current assets</u>	<u>3,713</u>	<u>3,596</u>
LONG-TERM ASSETS:		
Severance pay fund	798	767
Other investments	4	31
Deferred income taxes	33	35
<u>Total long-term assets</u>	<u>835</u>	<u>833</u>
PROPERTY AND EQUIPMENT, NET	<u>165</u>	<u>175</u>
OTHER ASSETS:		
Goodwill	3,479	3,479
Other intangible assets, net	1,415	1,807
<u>Total other assets</u>	<u>4,894</u>	<u>5,286</u>
<u>Total assets</u>	<u>\$ 9,607</u>	<u>\$ 9,890</u>

CONSOLIDATED BALANCE SHEETS

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

	<u>December 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 305	\$ 411
Accrued expenses and other liabilities	2,085	2,269
Deferred revenues	2,452	2,741
Liabilities of discontinued operations	351	283
	<u>5,193</u>	<u>5,704</u>
<u>Total</u> current liabilities		
LONG-TERM LIABILITIES -		
Accrued severance pay	<u>1,051</u>	<u>1,071</u>
COMMITMENTS AND CONTINGENT LIABILITIES		
SHAREHOLDERS' EQUITY:		
Share capital	13	13
Additional paid-in capital	19,676	19,577
Treasury shares	(29)	(29)
Accumulated other comprehensive income	(4)	23
Accumulated deficit	<u>(16,293)</u>	<u>(16,469)</u>
<u>Total</u> shareholders' equity	<u>3,363</u>	<u>3,115</u>
<u>Total</u> liabilities and shareholders' equity	<u>\$ 9,607</u>	<u>\$ 9,890</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,	
	2010	2009	2010	2009
Revenues:				
Product sales	\$ 4,409	\$ 5,449	\$ 1,126	\$ 1,435
Services	7,230	5,911	1,890	1,296
<u>Total revenues</u>	<u>11,639</u>	<u>11,360</u>	<u>3,016</u>	<u>2,731</u>
Cost of revenues:				
Product sales	1,508	1,835	312	443
Services	2,693	1,942	559	392
<u>Total cost of revenues</u>	<u>4,201</u>	<u>3,777</u>	<u>871</u>	<u>835</u>
Gross profit	<u>7,438</u>	<u>7,583</u>	<u>2,145</u>	<u>1,896</u>
Operating expenses:				
Research and development, net of grants from the OCS	1,547	1,888	447	320
Selling and marketing	2,584	2,863	707	728
General and administrative	3,016	3,618	747	928
<u>Total operating expenses</u>	<u>7,147</u>	<u>8,369</u>	<u>1,901</u>	<u>1,976</u>
Operating profit (loss)	291	(786)	244	(80)
Financial income (expenses), net	-	(31)	(25)	(5)
Income (loss) before taxes on income	291	(817)	219	(85)
Tax on income	47	(20)	(34)	20
Net income (loss) from continuing operations	<u>\$ 244</u>	<u>\$ (837)</u>	<u>\$ 185</u>	<u>\$ (105)</u>
Net loss from discontinued operations	(68)	(40)	(68)	(63)
Net income (loss)	<u>\$ 176</u>	<u>\$ (877)</u>	<u>\$ 117</u>	<u>\$ (168)</u>
Basic and diluted net income (loss) per Ordinary share	<u>\$ 0.04</u>	<u>\$ (0.20)</u>	<u>\$ 0.03</u>	<u>\$ (0.04)</u>
Weighted average number of Ordinary shares used in computing basic and diluted net loss per share	<u>4,459,049</u>	<u>4,458,976</u>	<u>4,459,057</u>	<u>4,458,976</u>