



## **MTS Announces First Quarter 2011 Financial Results**

### ***MTS Announces Josef Brikman as President for their US Operations***

**Ra'anana, Israel –May 12, 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 first quarter of 2011.

Revenues for the first quarter of 2011 were \$2.8 million, compared with \$2.9 million in revenues during the same quarter last year. The Company's operating profit was \$4,000 in the first quarter of 2011 compared to operating profit of \$33,000 for the first quarter of 2010. Net income for the first quarter was \$133,000 or \$0.03 per diluted share, compared with a net loss of \$2,000 or \$(0.00) per diluted share in the first quarter of 2010. The net profit in the first quarter of 2011 is including to a capital gain of approximately \$77,000 that resulted from the Company's sale of its ownership interest in Silverbyte Systems Ltd.

The Company also announced the appointment of Josef Brikman as president of its US operations. A seasoned executive with over 20 years of experience in the telecommunications and technology industries, Mr. Brikman brings extensive and diverse business knowledge. "We are pleased to welcome Josef to the MTS team," said Eytan Bar, Chief Executive Officer.

Prior to joining the Company, Mr. Brikman served as President of MER Security Inc. where he expanded the company from a services company to a provider of a full portfolio of security products and services. He also previously held positions of CFO, COO and General Manager of the Company where he was a key player in the acquisition of MTS IntegraTRAK and the development and growth of the Company in Europe and the Pacific Rim. Mr. Brikman holds a B.Sc. in Engineering and a degree in Business Administration.

## **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](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

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U.S. dollars in thousands

	<u>March 31,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,518	\$ 2,124
Restricted marketable securities	151	147
Trade receivables, net	708	1,251
Other accounts receivable and prepaid expenses	250	174
Inventories	11	17
	<u>3,638</u>	<u>3,713</u>
<u>Total</u> current assets		
	3,638	3,713
LONG-TERM ASSETS:		
Severance pay fund	860	798
Other investments	6	4
Deferred income taxes	33	33
	<u>899</u>	<u>835</u>
<u>Total</u> long-term assets		
	899	835
PROPERTY AND EQUIPMENT, NET	<u>184</u>	<u>165</u>
OTHER ASSETS:		
Goodwill	3,479	3,479
Other intangible assets, net	1,323	1,415
	<u>4,802</u>	<u>4,894</u>
<u>Total</u> other assets		
	4,802	4,894
<u>Total</u> assets	<u>\$ 9,523</u>	<u>\$ 9,607</u>

**CONSOLIDATED BALANCE SHEETS**

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

	<u>March 31,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 278	\$ 305
Accrued expenses and other liabilities	1,964	2,085
Deferred revenues	2,253	2,452
Liabilities of discontinued operations	351	351
	<u>4,846</u>	<u>5,193</u>
<u>Total current liabilities</u>		
LONG-TERM LIABILITIES -		
Accrued severance pay	1,133	1,051
	<u>1,133</u>	<u>1,051</u>
COMMITMENTS AND CONTINGENT LIABILITIES		
SHAREHOLDERS' EQUITY:		
Share capital	13	13
Additional paid-in capital	19,716	19,676
Treasury shares	(29)	(29)
Accumulated other comprehensive income	4	23
Accumulated deficit	(16,160)	(16,293)
	<u>3,544</u>	<u>3,363</u>
<u>Total shareholders' equity</u>		
<u>Total liabilities and shareholders' equity</u>	<u>\$ 9,523</u>	<u>\$ 9,607</u>

**CONSOLIDATED STATEMENTS OF OPERATIONS**

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

	Three months ended	
	March 31,	
	2011	2010
Revenues:		
Product sales	\$ 1,013	\$ 1,117
Services	1,784	1,761
<u>Total revenues</u>	<u>2,797</u>	<u>2,878</u>
Cost of revenues:		
Product sales	313	404
Services	601	648
<u>Total cost of revenues</u>	<u>914</u>	<u>(*) 1,052</u>
Gross profit	<u>1,883</u>	<u>1,826</u>
Operating expenses:		
Research and development, net of grants from the OCS	475	325
Selling and marketing	508	(*) 633
General and administrative	896	835
<u>Total operating expenses</u>	<u>1,879</u>	<u>1,793</u>
Operating income (loss)	4	33
Financial income (expenses), net	59	(33)
Other income (expenses), net	77	-
Income (loss) before taxes on income	140	-
Tax on income, net	(7)	(2)
Net income (loss)	<u>\$ 133</u>	<u>\$ (2)</u>
Net loss per share:		
Basic and diluted net income (loss) per Ordinary share	<u>\$ 0.03</u>	<u>\$ (0.00)</u>
Weighted average number of Ordinary shares used in computing basic and diluted net loss per share	<u>4,458,976</u>	<u>4,458,976</u>

(\*) reclassified