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MER TELEMAGEMENT SOLUTIONS LTD

Form 6-K

August 10, 2006

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

F O R M 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of August 2006

MER TELEMAGEMENT SOLUTIONS LTD.
(Name of Registrant)

22 Zarhin Street, Ra'anana 43662, Israel
(Address of Principal Executive Office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b) (1): ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b) (7): ☐

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ☐ No ☒

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-_____

This Form 6-K is being incorporated by reference into the Registrant's Form F-3 Registration Statement File No. 333-128225 and Form S-8 Registration Statements File Nos. 333-12014 and 333-123321.

MER Telemanagement Solutions Ltd.

6-K Items

1. Press release re MTS announces second quarter 2006 financial results, dated August 10, 2006.

SIGNATURES

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Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MER TELEMAGEMENT SOLUTIONS LTD.
(Registrant)

By: /s/ Eytan Bar

Eytan Bar
President and
Chief Executive Officer

Date: August 10, 2006

MTS ANNOUNCES SECOND QUARTER 2006 FINANCIAL RESULTS

NET LOSS DECLINES BY MORE THAN 60% YEAR-OVER-YEAR

RA'ANANA, ISRAEL - AUGUST 10, 2006 - MTS - MER TELEMAGEMENT SOLUTIONS LTD. (NASDAQ CAPITAL MARKET: MTSI), a global provider of business support systems (BSS) for comprehensive telecommunication management and customer care & billing (CC&B) solutions, today announces its financial results for the second quarter of 2006, ended June 30, 2006.

Revenues for the second quarter were \$2.7 million, compared with revenues of \$2.8 million in the second quarter of 2005. Revenues for the six month period ended June 30, 2006 were \$5.52 million, compared with revenues of \$5.54 for the 2005 six month period.

Net loss for the second quarter was \$448,000 or \$0.08 diluted per share, a significant decline of more than 60% compared with a net loss of \$1.15 million or \$0.24 diluted per share, in the second quarter of 2005. Net loss for the six month period ended June 30, 2006 was \$933,000, or \$0.16 diluted per share, a significant decline, as well, of more than 70% compared with a net loss of \$3.18 million or \$0.68 diluted per share, for the 2005 six month period.

The considerable improvement in the company's operating results is primarily attributable to the precise execution of a long-term strategic plan. The key element is the constant monitoring of and reduction in expenses in order to achieve sustainable growth.

MTS ended the second quarter with an accumulated backlog of orders of approximately \$2.0 million. The backlog represents orders booked but not yet recognized as revenue as of June 30, 2006.

At the end of July, 2006, MTS acquired certain telecom expense management software assets of TelSoft Solutions, Inc. as well as assuming a certain amount of their liabilities. The acquisition expands MTS' US market share, as well as, broadens its customer base and marketing channels.

EYTAN BAR, PRESIDENT AND CHIEF EXECUTIVE OFFICER, commented, "We continued to execute according to our strategic plan, to achieve profitability through

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organic growth and acquisitions, which will better position us for the future."

CONFERENCE CALL INFORMATION

MTS will conduct a teleconference to discuss the second quarter results on Thursday, August 10 at 11:00 a.m Eastern Time/6:00 p.m Israel time.

To access the conference call, please dial +1-877-707-9628 (U.S.), +1-785-832-0301 (international), at least 10 minutes prior to commencement of the call. Reference the MTS conference call or conference ID #MTS.

A replay of the call will be available from August 10 through 11:59 p.m. EST on August 17. To access the replay, please dial +1-800-283-8520.

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.

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, MVNO) to rapidly install a full-featured and scaleable solution. MTS's unique technology reduces integration risks and lessens revenue leakage by using the very same system to manage retail and wholesale business as well as supporting multiple business units. Total cost of ownership (TCO) is reduced by providing web-based customer self-care and provisioning.

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 MTSI). 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.

CONTACTS:

Shlomi Hagai
Corporate COO & CFO

Ronit Weiner
Communications Managing Director

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Tel: +972-9-762-1733
Email: shlomi.hagai@mtsint.com

Tel: +972-54-666-4737
Email: ronit.weiner@mtsint.com

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,
	2006	2005	2006
	UNAUDITED		
Revenues	\$ 5,518	\$ 5,538	\$ 2,704
Cost of revenues	(*) 1,828	1,893	(**) 894
Gross profit	3,690	3,645	1,810
Operating expenses:			
Research and development, net	(*) 1,958	2,324	(**) 898
Selling and marketing	(*) 1,583	2,897	(**) 753
General and administrative	(*) 1,208	1,722	(**) 630
TOTAL operating expenses	4,749	6,943	2,281
Operating loss	(1,059)	(3,298)	(471)
Financial income (expenses), net	11	104	(26)
Loss before taxes on income	(1,048)	(3,194)	(497)
Taxes on income	3	-	-
Loss before equity in earnings (losses) of affiliate	(1,051)	(3,194)	(497)
Equity in earnings (losses) of affiliate	118	11	49
Net loss	\$ (933)	\$ (3,183)	\$ (448)
Basic and diluted net loss per share	\$ (0.16)	\$ (0.68)	\$ (0.08)
Weighted average number of Ordinary shares used in computing basic and diluted net loss per share	5,754,186	4,675,283	5,763,845

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(*) Including stock-based employee compensation in the amounts of \$15, \$60, \$10 and \$46 in cost of revenues, research and development, selling and marketing and general and administrative, respectively.

(**) Including stock-based employee compensation in the amounts of \$5, \$45, \$(3) and \$21 in cost of revenues, research and development, selling and marketing and general and administrative, respectively.

CONSOLIDATED BALANCE SHEETS

U.S. DOLLARS IN THOUSANDS (EXCEPT SHARE AND PER SHARE DATA)

	JUNE 30,		DECEMBER 31,
	2006	2005	2005
	UNAUDITED		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 1,635	\$ 1,750	\$ 3,191
Marketable securities	142	126	132
Trade receivables, net	2,280	1,853	1,895
Unbilled receivables	448	—	104
Other accounts receivable and prepaid expenses	690	408	491
Inventories	152	180	181
TOTAL current assets	5,347	4,317	5,994
LONG- TERM INVESTMENTS:			
Investment in an affiliate	1,777	1,707	1,615
Long-term loans, net of current maturities	—	26	3
Severance pay fund	607	518	478
Other investments	365	373	347
TOTAL long-term investments	2,749	2,624	2,443
PROPERTY AND EQUIPMENT, NET			
	500	583	571
OTHER ASSETS:			
Goodwill	3,877	3,511	3,700
Other intangible assets, net	817	1,169	993
Deferred income taxes	115	73	115
TOTAL other assets	4,809	4,753	4,808
TOTAL assets	\$13,405	\$12,277	\$13,816

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CONSOLIDATED BALANCE SHEETS

U.S. DOLLARS IN THOUSANDS (EXCEPT SHARE AND PER SHARE DATA)

	JUNE 30,	
	2006	2005
	UNAUDITED	
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 605	\$ 727
Accrued expenses and other liabilities	2,395	2,197
Deferred revenues	891	1,144
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TOTAL current liabilities	3,891	4,068
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LONG-TERM LIABILITIES:		
Accrued severance pay	876	660
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TOTAL long-term liabilities	876	660
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SHAREHOLDERS' EQUITY:		
Share capital -		
Ordinary shares of NIS 0.01 par value - Authorized:		
12,000,000 shares at June 30, 2006 and 2005 and		
December 31, 2005; Issued: 5,774,645, 4,796,304 and		
5,744,304 shares at June 30, 2006 and 2005 and December		
31, 2005; Outstanding: 5,763,845, 4,785,504 and 5,733,504		
shares at June 30, 2006 and 2005 and December 31, 2005	17	15
Additional paid-in capital	16,016	13,267
Treasury shares (10,800 Ordinary shares)	(29)	(29)
Deferred stock compensation	-	(176)
Accumulated other comprehensive income (loss)	130	2
Accumulated deficit	(7,496)	(5,530)
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TOTAL shareholders' equity	8,638	7,549
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TOTAL liabilities and shareholders' equity	\$ 13,405	\$ 12,277
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