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MER TELEMAGEMENT SOLUTIONS LTD

Form 6-K

May 11, 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 May 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 Telemagement Solutions Ltd.

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6-K Items

1. Press release re MTS Announces First Quarter 2006 Financial Results dated May 11, 2006.

ITEM 1

Press Release

Source: Mer Telemanagement Solutions Ltd.

MTS Announces First Quarter 2006 Financial Results

Thursday May 11, 7:30 am ET

RA'ANANA, Israel, May 11 /PRNewswire-FirstCall/ -- MTS- Mer Telemanagement Solutions Ltd. (Nasdaq: MTSL - News), a global provider of business support systems for comprehensive telecommunication management and customer care & billing solutions, today reported its financial results for the first quarter of 2006, ended March 31, 2006.

Revenues for the first quarter were \$2.8 million, which represents a 3% increase over the \$2.7 million reported in the first quarter of 2005.

Net loss for the quarter was \$485,000 (\$0.08 basic and diluted net loss per ordinary share), which compares to the net loss of \$2.0 million (\$0.44 basic and diluted net loss per ordinary share), reported for the first quarter of 2005. The net loss narrowed year-over-year due to a reduction in total operating expenses.

MTS ended the first quarter with a solid, accumulated backlog of orders of approximately \$2.7 million. The backlog represents orders booked but not yet recognized as revenue as of March 31, 2006.

Eytan Bar, President and Chief Executive Officer commented, "During the first quarter, MTS once again executed on its business strategy and capitalized on new opportunities. We continued to cultivate business relationships and added new partners in Europe, as well as gained market recognition with our customer care and billing solution.

"MTS also continued to invest significantly in its future according to the company's strategy. We continue to believe this investment is crucial to the success of MTS, as these enhancements and new products will give us leverage in market share and sales, and ultimately drive toward sustainable growth."

At the end of the first quarter of fiscal year 2006, MTS implemented the Statement of Financial Accounting Standard No. 123(R), "Share-based Payments," which requires expensing the fair value of grants made under stock option programs over the vesting period of the options beginning on January 1, 2006.

Shlomi Hagai, Corporate COO & CFO, noted, "We continued to deliver solid top line performance in the first quarter despite unanticipated extended sales cycles in some of the markets in which we participate. We believe that our

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commitment to monitor and maintain expenses will allow us to continue to improve our bottom line performance going forward."

Conference Call Information

MTS will conduct a teleconference to discuss the first quarter results on Thursday, May 11, at 11:00 a.m. Eastern Time (18:00 Israel Time). To access the call, please dial +1-877-270-4109 from the US or Canada (toll-free), +1- 809 457 877 from Israel (toll-free), or +1-706-679-0560 from other locations, at least 10 minutes prior to the commencement of the call. Reference the MTS conference call or conference ID #7723230.

A replay of the call also will be available from 2:00 PM ET on Thursday, May 11, 2006, until 11:59 PM ET on Thursday, May 18/ (06:59 Israel Time on Friday, May 19). To access the replay please, dial +1-800-642-1687 from the US or Canada (toll-free), +1-809 458 731 from Israel (toll-free), or +1-706- 645-9291 from other locations and enter conference ID#7723230.

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 Application Suite has provided customers with a unified view of telecommunication usage, proactive budget control, personal call management, employee cost awareness and more.

MTS' 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 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, Holland, and Brazil, and 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: <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

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factors detailed in the Company's filings with the United States Securities and Exchange Commission.

Contacts:

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CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Three months ended March 31,		Year ended December 31,
	2006	2005	2005
	Unaudited		Audited
Revenues	\$2,814	\$2,726	\$11,563
Cost of revenues	(*) 934	887	3,802
Gross profit	1,880	1,839	7,761
Operating expenses:			
Research and development, net	(*) 1,060	1,294	4,395
Selling and marketing	(*) 830	1,527	4,797
General and administrative	(*) 578	1,045	2,830
Total operating expenses	2,468	3,866	12,022
Operating loss	(588)	(2,027)	(4,261)
Financial income, net	37	19	53
Other income, net	-	2	-
Loss before taxes on income	(551)	(2,006)	(4,208)
Taxes on income	3	-	10
Loss before equity in earnings (losses) of affiliate	(554)	(2,006)	(4,218)
Equity in earnings (losses) of affiliate	69	(28)	2
Net loss	\$ (485)	\$ (2,034)	\$ (4,216)
Basic and diluted net loss per Ordinary share	\$ (0.08)	\$ (0.44)	\$ (0.83)
Weighted average number of Ordinary shares used in computing basic and diluted net loss per share	5,744,864	4,638,004	5,092,117

(*) Including stock-based employee compensation in the amounts of \$10, \$15, \$13 and \$25 in cost of revenues, research and development, selling and

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marketing and general and administrative, respectively.

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	2006	March 31, 2005 Unaudited	December 31, 2005 Audited
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$2,438	\$2,581	\$3,191
Marketable securities	134	695	132
Trade receivables, net	2,298	1,441	1,895
Unbilled receivables	146	-	104
Other accounts receivable and prepaid expenses	425	453	491
Inventories	169	192	181
Total current assets	5,610	5,362	5,994
LONG-TERM INVESTMENTS:			
Investment in an affiliate	1,795	1,987	1,615
Long-term loans, net of current maturities	-	36	3
Severance pay fund	514	604	478
Other investments	365	373	347
Total long-term investments	2,674	3,000	2,443
PROPERTY AND EQUIPMENT, NET	544	604	571
OTHER ASSETS:			
Goodwill	3,787	3,446	3,700
Other intangible assets, net	905	1,268	993
Deferred income taxes	115	73	115
Total other assets	4,807	4,787	4,808
Total assets	\$13,635	\$13,753	\$13,816

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

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

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	March 31, 2006	March 31, 2005	December 31, 2005
	Unaudited		Audited
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Trade payables	\$665	\$841	\$735
Accrued expenses and other liabilities	2,402	2,237	2,306
Deferred revenues	868	1,309	888
Total current liabilities	3,935	4,387	3,929
LONG-TERM LIABILITIES:			
Accrued severance pay	770	754	713
Total long-term liabilities	770	754	713
SHAREHOLDERS' EQUITY:			
Share capital -			
Ordinary shares of NIS 0.01 par value - Authorized: 12,000,000 shares at March 31, 2006 and 2005 and December 31, 2006; Issued: 5,774,645, 4,648,804 and 5,744,304 shares at March 31, 2006 and 2005 and December 31, 2005, respectively; Outstanding: 5,763,845, 4,638,004 and 5,733,504 shares at March 31, 2006 and 2005 and December 31, 2005			
	17	14	17
Additional paid-in capital	15,964	12,966	15,966
Treasury shares (10,800 Ordinary shares)	(29)	(29)	(29)
Deferred stock compensation	-	(191)	(142)
Accumulated other comprehensive income (loss)	26	233	(75)
Accumulated deficit	(7,048)	(4,381)	(6,563)
Total shareholders' equity	8,930	8,612	9,174
Total liabilities and shareholders' equity	\$13,635	\$13,753	\$13,816

The accompanying notes are an integral part of the consolidated financial statements.

SIGNATURES

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.

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MER TELEMAGEMENT SOLUTIONS LTD.
(Registrant)

By: /s/Eytan Bar

Eytan Bar
President and
Chief Executive Officer

Date: May 11, 2006