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MER TELEMAGEMENT SOLUTIONS LTD

Form 6-K

May 10, 2005

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 2005

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 S-8
Registration Statements File Nos. 333-12014 and 333-123321.

MER Telemangement Solutions Ltd.

6-K Items

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1. Press Release re MTS First Quarter 2005 Revenues Increase 16% Year-Over-Year dated May 5, 2005.

ITEM 1

Press Release

Source: Mer Telemanagement Solutions Ltd.

MTS First Quarter 2005 Revenues Increase 16% Year-Over-Year

Thursday May 5, 8:30 am ET

- Revenues Grow 6% Sequentially -

RA'ANANA, Israel, May 5 /PRNewswire-FirstCall/ -- MTS - Mer Telemanagement Solutions Ltd. (Nasdaq: MTSL - News), a global provider of Operations Support Systems (OSS) for comprehensive Telecommunication Management and Customer Care & Billing solutions, today reported its financial results for the first quarter of 2005, ended March 31, 2005.

Revenues for the first quarter were \$2.73 million, which represents a 16% increase over the \$2.36 million reported in the first quarter of 2004 and a 6% increase sequentially. Net loss for the quarter was \$2.03 million, or \$(0.44) per share, compared with the net loss of \$197,000, or \$(0.04) per share, reported for the first quarter of 2004.

Eytan Bar, President and Chief Executive Officer commented, "MTS successfully executed its growth strategy for the third straight quarter. In Q1, we experienced sales growth in our products to the service provider and carrier markets, and we also maintained momentum and growth in our new offerings to the enterprise market. Moreover, we achieved this growth while effectively integrating the Teleknowledge technology, employees, customers, channels and installed base into MTS' systems and capabilities."

Gross profit for the first quarter increased slightly to \$1.89 million, compared with the \$1.82 million reported in the first quarter of 2004.

Research and development expenses for the quarter were \$1.34 million, compared to \$0.53 million reported in the first quarter of 2004 and \$0.85 million reported in the fourth quarter of 2004. The sharp increase in R&D expenses in the quarter was primarily the result of costs associated with the integration of the recently acquired TeleKnowledge R&D group, as well as to the Company's continuing investment in product development.

Selling and marketing expenses for the quarter were \$1.53 million, which represents a 35% increase over the same period last year, but a 24% reduction sequentially. This reduction is the result of MTS' commitment to bring spending more in line with revenue generation and focusing on the growing areas.

MTS ended the quarter with approximately \$3.3 million in cash and cash equivalents, including marketable securities.

"The investments we made in R&D and sales and marketing over the last year are now supporting our expansion initiatives into the enterprise market, as well as

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enabling us to capitalize on opportunities in the service provider and carrier markets," continued Mr. Bar. "We believe these investments further strengthen the foundation MTS has laid for growth and market share gains and position us well for the future. We remain committed to bringing spending more in line with revenue generation, and therefore, continue to expect to meet our target of break even by the end of this year."

Conference Call Information

MTS will conduct a teleconference to discuss the first quarter results on Thursday, May 5, at 11:00 AM Eastern Time (18:00 Israel Time). To access the call, please dial 1-8877-270-4109 from the US or Canada (toll free), 1-809-457-877 from Israel (toll free), or 1-706-679-0560 from other locations approximately 5-10 minutes prior to the starting time. A replay of the call also will be available from 2:00 PM ET on Thursday, May 5, 2005, until 11:59 PM ET on Thursday, May 12. To access the replay please, dial 1-800-642-1687 from the US or Canada (toll free), 1-800-945-8731 from Israel (toll free), or 1-706-645-9291 from other locations and enter conference ID#5846956.

About MTS

Mer Telemanagement Solutions Ltd. is a global provider of operations support systems (OSS) for comprehensive telecommunication management and customer care & billing solutions. MTS' OSS is a full-featured customized solution for telecommunications management and customer care & billing. Its telecommunications enterprise resource planning (ERP) application suite is used by corporations and organizations to improve the efficiency and performance of all telecommunication and information technology (IT) operations, and to significantly reduce associated costs. Its affordable customer care and billing (CC&B) solutions are used by service providers and operators to support sophisticated billing, web-based self-provisioning and other revenue-generating applications.

Headquartered in Israel, MTS markets through wholly owned subsidiaries in the U.S., Hong Kong, Holland, and Brazil, and through OEM partnerships with Siemens, Phillips, and other PABX vendors. Its legacy call accounting solutions have been installed by over 60,000 customers in 60 countries. MTS' shares are traded on the NASDAQ SmallCap Market (symbol MTSI). 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 factors detailed in the Company's filings with the United States Securities and Exchange Commission.

CONTACT:

Company
Shlomi Hagai

Investor Relations:
Kathy Price

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MER TELEMANAGEMENT SOLUTIONS LTD. AND ITS SUBSIDIARIES CONSOLIDATED BALANCE SHEETS U.S. Dollars in thousands

	March 31, 2005 Unaudited	December 31, 2004
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$2,581	\$3,814
Marketable securities	695	1,057
Trade receivables, net	1,441	1,348
Other accounts receivable and prepaid expenses	453	391
Inventories	192	178
Total current assets	5,362	6,788
LONG- TERM INVESTMENTS:		
Investment in an affiliate	1,987	2,119
Long-term loans, net of current maturities	36	45
Severance pay fund	604	535
Other investments	373	373
Total long-term investments	3,000	3,072
PROPERTY AND EQUIPMENT, NET	604	581
OTHER ASSETS:		
Goodwill	3,446	3,415
Other intangible assets, net	1,268	1,394
Deferred income taxes	73	73
Total other assets	4,787	4,882
Total assets	\$13,753	\$15,323

MER TELEMANAGEMENT SOLUTIONS LTD. AND ITS SUBSIDIARIES CONSOLIDATED BALANCE SHEETS U.S. Dollars in thousands (except share data)

	March 31, 2005 Unaudited	December 31, 2004
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LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:		
Trade payables	\$ 841	\$ 719
Accrued expenses and other liabilities	2,237	2,042
Deferred revenues	1,309	1,254
 Total current liabilities	 4,387	 4,015
 LONG-TERM LIABILITIES:		
Accrued severance pay	754	651
 Total long-term liabilities	 754	 651
 SHAREHOLDERS' EQUITY:		
Share capital -		
Ordinary shares of NIS 0.01 par value -		
Authorized: 12,000,000 shares; Issued:		
4,648,804 shares at March 31, 2005		
and December 31, 2004; Outstanding: 4,638,004		
shares at March 31, 2005 and December 31, 2004	14	14
Additional paid-in capital	12,966	12,879
Treasury shares	(29)	(29)
Deferred stock compensation	(191)	(208)
Accumulated other comprehensive income	233	348
Accumulated deficit	(4,381)	(2,347)
 Total shareholders' equity	 8,612	 10,657
 Total liabilities and shareholders' equity	 \$13,753	 \$15,323

MER TELEMAGEMENT SOLUTIONS LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
U.S. Dollars in thousands (except share data)

	Three months ended	
	March 31, 2005	March 31, 2004
	Unaudited	
Revenues	\$2,726	\$2,359
Cost of revenues	838	541
 Gross profit	 1,888	 1,818
Operating expenses:		
Research and development	1,343	534
Selling and marketing	1,527	1,125
General and administrative	1,045	397
 Total operating expenses	 3,915	 2,056
 Operating loss	 (2,027)	 (238)
Financial income, net	19	27
Other income (expenses), net	2	(32)

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Loss before equity in earnings (losses)		
of affiliate	(2,006)	(243)
Equity in earnings (losses) of affiliate	(28)	46
Net loss	\$ (2,034)	\$ (197)
Net loss per share:		
Basic and diluted net loss per Ordinary share	\$ (0.44)	\$ (0.04)
Weighted average number of Ordinary shares used in computing basic and diluted net loss per share	4,638,004	4,624,804

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.

MER TELEMAGEMENT SOLUTIONS LTD.
(Registrant)

By: /s/Eytan Bar

Eytan Bar
President and
Chief Executive Officer

Date: May 10, 2005