

Elephant Talk Communications Set to Lead Trend towards Virtual Mobile Networks

SCHIPHOL, THE NETHERLANDS, 14 July 2010: It's becoming a good business to run cell phone networks using someone else's spectrum and cell phone towers. Big cell phone companies are increasingly outsourcing the internal guts of their networks' back offices (specifically to service virtual operators) to so-called virtual network enablers. In addition, these enabled virtual network services are enabling non-telecom companies, such as banks, to offer their own mobile services on others' networks. New research from Wireless Intelligence shows that the number of virtual mobile network operators around the world has increased to more than 600. Within two years, analysts predict that more companies will be running virtual networks than there are mobile phone companies doing it themselves (<http://www.mobilebusinessbriefing.com/article/global-mvno-market-surpasses-600-in-q2-2010->).

One company set to lead this trend is Elephant Talk Communications, Inc. (OTCBB: ETAK) (<http://www.elephanttalk.com/>). Elephant Talk provides the underlying technology needed to run mobile networks, both for existing mobile phone companies and for other companies that want to offer their own mobile services.

Elephant Talk's big advantage is that its software platform is one integrated system. That's a departure from the operational workings of most mobile phone companies, including many other virtual operators. Most of these networks are patched together from 10-20 separate systems—the result of adding, piecemeal, new systems and features from different vendors over the years, much like a tangled bowl of spaghetti. It can cost tens of millions of dollars to make those systems work together, and even then that doesn't always happen smoothly. Moreover, simple changes in services can take months to implement.

Elephant Talk doesn't have these problems; it owns the source code for all the underlying software systems, so that it doesn't have to manage the difficult task of meshing equipment and software from different vendors. As a result, Elephant Talk can make changes to a network in less than a few hours. "We have the most sophisticated, fully integrated platform, which bypasses the spaghetti of most mobile operators," explains Elephant Talk CEO Steven van der Velden.

Elephant Talk has convinced big industry players - after its legacy network in Spain needed improvements to meet the demands of virtual operators, the world's largest mobile telecom provider, Vodafone, rewarded Elephant Talk with a contract to implement and manage a new system. Elephant Talk won the contract over major global telecom equipment vendors and system integrators. Since the new system was put in place, it has been estimated that the cost of operating the back office of the network has significantly dropped. Another recent Elephant Talk customer is T-Mobile in the Netherlands. "The fact that we have been able to work with these two global leaders shows we seem to be doing something right," says van der Velden.

Elephant Talk's technology enables it to create what amounts to a virtual mobile network for any company, from a bank to a supermarket. Using Elephant Talk's platform and space purchased from a telecom carrier's physical network, a cable company could offer mobile phone service. Or a government agency could bundle all their employees into a single cell phone plan, which would even include saving money by billing all international calls as local calls. "We have this relentless drive to empower our customers with mobile plans that fit the needs of their clientele," van der Velden explains.

But doing a better job of running mobile networks is only part of Elephant Talk's unique advantage. Analysts expect that mobile service will soon become like landline service—a commodity. So the

company is seizing the real opportunity, turning commoditized 'dumb' networks into 'smart' ones, with added features that command premium prices. "We want to go up a step in the food chain with customized mobile services," says van der Velden.

One example of such customized services is credit card fraud detection. Elephant Talk subsidiary ValidSoft (www.validsoft.com) has developed software that instantly checks to see if a credit card transaction is legitimate. The trick: comparing the location of the purchase to the location of the credit card owner's cell phone. Typically, banks try to spot fraud by comparing new purchases to past spending patterns. If a credit card typically used in Holland is suddenly buying computers in China, that's suspicious. The problem for banks is that 90% of the transactions flagged as suspicious are actually legitimate. Trying to contact credit card owners to eliminate these so-called 'false positives' is a huge expense and headache for banks. Banks often cut off credit cards because transactions look suspicious, only to be left with irate customers. "The cost to banks: up to \$250 billion dollars a year," says van der Velden. "Solving this problem can mean big profits."

That's just the beginning, however. The credit card fraud detection system "is our first customized mobile service," says van der Velden. "We hope it will grow to another dozen." Already available is a system that identifies cell phone users through the distinctive sound and pattern of their voices, so-called voiceprints. That could be used to give people secure access to sensitive information like bank accounts. Or it could enable doctors to monitor their patients over mobile networks, or allow people to control their home energy use from their mobile handsets.

With the rapid increase in smart phones, mobile handsets are increasingly becoming people's windows into the digital world. Elephant Talk's technology puts it at the forefront of this trend.

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About Elephant Talk Communications

Elephant Talk Communications, Inc. (OTCBB: ETAK) is an international provider of business software and services to the telecommunications and financial services industry. The company enables both mobile carriers and virtual operators to offer a full suite of products, delivery platforms, support services, superior industry expertise and high quality customer service without substantial upfront investments from clients. Elephant Talk provides global telecommunication companies, mobile network operators, banks, supermarkets, consumer product companies, media firms, and other businesses a full suite of products and services that enables them to fully provide telecom services as part of their business offerings. The company offers various dynamic products that include remote health care, credit card fraud prevention, mobile internet ID security, multi-country discounted phone services, loyalty management services, and a whole range of other emerging customized mobile services. For more information visit www.elephanttalk.com

About ValidSoft

ValidSoft is a member of Elephant Talk Communications, Inc. (OTCBB: ETAK), and is a market leader in providing solutions to counter electronic fraud relating to card, the internet, and telephone channels. ValidSoft's solutions are at the cutting edge of the market and are used to verify the authenticity of both consumers and institutions (Mutual Authentication), and the integrity of transactions (Transaction Verification) for the mass market, in a highly cost effective and secure manner, yet easy to use and intuitive. For more information please visit www.validsoft.com

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