

Elephant Talk Communications Announces Second Quarter 2009 Financial Results

- Revenue in constant currency for Q2 2009 Increased 9.3% to \$11.1 Million
- Revenue for Q2 2009 compared to Q1 2009 Increased 15.7%

SCHIPHOL, Netherlands, Aug. 20 /PRNewswire-FirstCall/ -- Elephant Talk Communications, Inc. (OTC Bulletin Board: [ETAK](#) - [News](#)), an international telecom and multimedia content distributor specializing in carrier grade mobile enabling platforms, announced second quarter 2009 financial results and is providing a shareholder update.

"Management is pleased with the strategic direction in which the Company is headed and with the strong top-line growth we experienced for the second quarter," stated, Steven van der Velden, CEO of Elephant Talk Communications. "During 2009 we have taken the necessary steps to ensure we are well positioned to establish ourselves as a market leader within the rapidly expanding international mobile/wireless software and services sector of the telecom industry. The focus going forward will be to acquire additional MVNO's contracts while leveraging ValidSoft's location based services technology in order to become the market leader in the international telecom arena. As we expand our market presence we will continue to grow our bottom line while allowing us to achieve our ultimate goal of increased shareholder value. "

2009 Operational Highlights

Elephant Talk's strategic growth plan remains on target while it continues its progress as an international telecom operator and enabler to the multimedia industry, as well as, to capture added market share within the \$30 + billion global bank fraud market by:

- Announced revenue guidance pertaining to contracts recently signed in the Netherlands and Spain in excess of \$6 million in the 2nd half of 2009 and over \$24 million in 2010.
- Completed a Joint Venture agreement with ValidSoft Limited, a provider of sub-second identity verification, fraud prevention and false positive reduction for Credit and debit card ATM and POS (Point of Sale) transactions.
 - The agreement executed on June 17, 2009, shall remain in place for ten years.
 - Revenues from ValidSoft are expected to become Elephant Talk's highest margin business.
- Expanded relationships with T-Mobile, Vizzavi Espana, a Vodafone Group Company and other major telecom operators, mobile virtual network operators, banks, and government agencies.

- The Company began the transition from fixed line service offerings into higher margin mobile/wireless software and service business.

Second Quarter ended June 30, 2009 versus June 30, 2008

Revenue for the three months ended June 30, 2009 was \$11,311,398, a decrease of \$609,892 compared to \$11,921,290 for the same period in 2008. The decrease in revenue for the 2009 period was primarily the result of the unfavorable impact of a \$1,529,535 currency exchange translation effect arising from a lower USD/Euro exchange rate. Revenue in constant currency for the three months ended June 30, 2009 was \$11,124,476, an increase of \$941,905 or 9.3% compared to the same period in 2008. The increase in revenue was primarily attributable to the MVNO revenue that started in Q4 2008. On constant currency basis revenue for the three months ended June 30, 2009 increased \$1,508,670 or 15.7% compared to the three months ended March 30, 2009. Our gross margin, representing net revenue less cost of service, for the second quarter 2009 increased to 6.1% of revenue compared to 3.0% of revenue for the first quarter of 2009. The increase in the gross margin was primarily attributable to the new, higher gross margin MVNO revenue stream.

Revenue (in constant currency)			
Q2 - 2008	Q2 - 2009	increase	%
\$10,182,571	\$11,124,476	\$941,905	9.3%

Revenue (in constant currency)			
Q1 - 2009	Q2 - 2009	increase	%
\$9,615,806	\$11,124,476	\$1,508,670	15.7%

Gross Margin (in constant currency)			
Q1 - 2009	Q2 - 2009	increase	%
3.0%	6.1%	3.1%	04.9%

Cost of service for the three months ended June 30, 2009 was \$10,632,204, a reduction of \$941,420 compared to \$11,573,624 for the same period in 2008. The decrease in cost of service was primarily the result of the favorable impact of a \$1,480,725 currency exchange translation effect arising from a lower USD/Euro exchange rate. In constant currency, cost of service increased \$560,489 or 5.7% compared to the same period in 2008 primarily as a result of higher levels of revenue. The improvement in gross margin was primarily due to the Company's new business in the MVNO/MVNE arena.

Selling, general and administrative expense for the three months ended June 30, 2009 was \$1,783,795, an increase of \$119,291 compared to \$1,664,504 for the same period in 2008.

The Company's net loss of \$2,686,687 for the three months ended June 30, 2009 was relatively unchanged compared to that of \$2,682,693 for the same period 2008. Net Loss per share for the second quarter 2009 was \$(0.05) compared to that of \$(0.16) in the second quarter 2008 based on respectively 53.9 million and 16.7 million shares outstanding.

Six Month Results

Revenue for the six months ended June 30, 2009 was \$20,740,282, a decrease of \$2,938,288 compared to \$23,678,570 for the six months ended June 30, 2008. The decrease in revenue for the 2009 period was primarily the result of the unfavorable impact of a \$3,030,706 currency exchange translation effect arising from a lower USD/Euro exchange rate. In constant currency, total revenue for the six months ended June 30, 2009 was \$20,740,282, an increase of \$92,314 or 0.5% compared to the same period in 2008. The increase in revenue was primarily attributable to an increase in our MVNO revenue of \$2,191,538 compared to \$0 in the same period in 2008.

Net Loss for the six month period ended June 30, 2009 was \$4,830,905 a reduction of approximately \$400,000 compared to \$5,287,698 in the same period 2008. Net Loss per share for the six month period ended June 30, 2009 was \$(0.09) compared to that of \$(0.40) for the same period of 2008 based on respectively 52.7 million and 16.7 million shares outstanding.

Mr. van der Velden continued, "Elephant Talk's premier infrastructure and strategic partnerships are now fully integrated. The Company has completed all of the necessary steps to position itself for large scale future growth. The focus going forward will be to acquire additional MVNO's contracts while leveraging ValidSoft's anti fraud technology in order to become the market leader in our sector of the international telecom arena. Elephant Talk is well equipped to obtain significant market share in Europe, the Middle East and Asia in the near future. These new markets will allow us to increase our market presence, while growing the bottom line and allow us to achieve our ultimate goal of increased shareholder value."

About Elephant Talk Communications

Elephant Talk Communications is positioning itself as an international telecom operator and enabler to the multimedia industry by facilitating the distribution of all forms of content as well as mobile and fixed telecom services to global telecommunications consumers. The Company provides traditional telecom services, media streaming, and distribution services primarily to the business-to-business (B2B) community within the telecommunications market where it has a presence. The Company's global footprint as a fully licensed carrier, supported by its proprietary IN (Intelligent Network) and Billing/CRM (Client Relationship Management) Systems, has been designed to offer cutting-edge solutions to the

increasingly competitive global multimedia industry. Elephant Talk's telecommunications platform eliminates the usual limitations caused by national borders, networks, devices or media and, therefore, enables its B2B customers to operate as independent telecom and multimedia distribution organizations. Elephant Talk is also a developer for mobile telecom and content distribution solutions; and, as a Mobile Virtual Network Enabler (MVNE), the company has positioned itself as the premier outsourcing partner for both Mobile Network Operators (MNO's) as well as for Mobile Virtual Network Operators (MVNO's). At the same time, Elephant Talk assists its MNO partners to more efficiently provide a broad range of sophisticated services to their own existing base of MVNO's. Elephant Talk is positioning itself as the preferred MVNE partner of the larger, global Mobile Operators and currently operates sophisticated networks in over a dozen markets in Europe, Asia Pacific, and the Middle East. The Company was ranked fifth on the Orange County 2008 Deloitte Technology Fast 50. For more information, visit: www.elephanttalk.com.

Forward-Looking Statements

Certain statements contained herein constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on current expectations, estimates and projections about the Company's industry, management's beliefs and certain assumptions made by management. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Because such statements involve risks and uncertainties, the actual results and performance of the Company may differ materially from the results expressed or implied by such forward-looking statements. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Unless otherwise required by law, the Company also disclaims any obligation to update its view of any such risks or uncertainties or to announce publicly the result of any revisions to the forward-looking statements made here; however, readers should review carefully reports or documents the Company files periodically with the Securities and Exchange Commission.