

Elephant Talk Communications Reports Third Quarter Financial Results

SCHIPHOL, NETHERLANDS -- (Marketwire) -- 11/20/09 -- Elephant Talk Communications, Inc. (OTCBB: ETAK), an international telecom and multimedia content distributor specializing in carrier grade mobile enabling platforms, announced the Company's third quarter 2009 financial results and is providing a shareholder update.

"Due to the increasing stress on the global financial system that is being caused by credit card fraud, Elephant Talk decided to accelerate its acquisition of 100% of ValidSoft Limited this year," said Steven van der Velden, CEO, of Elephant Talk Communications. "By deploying its communications infrastructure we plan to launch a series of financial security products next year. The Company expects to announce a number of tier one financial partners that have selected our products in the first quarter. This current complete acquisition replaces a three year multipart agreement that was signed earlier in the year."

Recent Operational Highlights

-- The Company announced the execution of a Heads of Terms agreement with ValidSoft Limited which provides financial institutions with identity verification, fraud prevention and false positive reduction for credit and debit card users, Point of Sale transactions, Card Not Present transactions (Internet), Internet Banking and Remote Access using patented software solutions which interact with the users of a mobile device.

-- Elephant Talk completed the final closing of its private placement of senior secured convertible notes and warrants for \$12.3 million. To Leverage the telecom and financial security opportunities available to the company it intends to complete an additional debt raise prior to the end of the year with affiliated parties. Current and additional funds will enable the company to execute its expansion plans which will be further bolstered by a public offering in the second or third quarter of 2010.

"Going forward, the Company plans to leverage its strong relationships with T-Mobile and Vizzavi Espana, a Vodafone Group company, as it increases its global footprint," continued Mr. van der Velden. "Management intends to focus on increasing service offerings, revenue and bottom-line earnings as it strives to fulfill its ultimate goal of becoming the industry leader for providing service offerings for mobile telecom providers and increasing shareholder value."

Third Quarter Financial Results for the Period Ended September 30, 2009

Revenue for the three months ended September 30, 2009 was \$11,455,489, an increase of \$109,072 or 1.0%, compared to \$11,346,417 for the same period in 2008. The limited increase for the three months ended September 30, 2009 period was primarily the result of the unfavorable impact of a \$1,045,525 currency exchange translation effect arising from a lower USD/Euro exchange rate.

In constant currency, total revenue for the three months ended September 30, 2009 increased by \$1,154,597 or 11.2% compared to the same period in 2008. The increase in revenue, in constant currency, was attributable to an increase in Elephant Talk's MVNO revenue of \$1,887,096 compared to \$0 in 2008, offset by a decline in the company's lower margin premium rate services ("PRS") of \$568,220, or (5.8%) compared to the same period in 2008.

Cost of service for the three months ended September 30, 2009 was \$10,874,205, a reduction of \$267,987 or (2.4%), compared to \$11,142,192 for the same period in 2008. The decrease in cost of service was primarily the result of the favorable impact of a \$1,025,384 currency exchange translation effect arising from a lower USD/Euro exchange rate. In constant currency, cost of service increased \$757,397 or 7.5% compared to the same period in 2008 primarily as a result of higher levels of revenue.

Selling, general and administrative ("SG&A") expense for the three months ended September 30, 2009 was \$2,949,038, an increase of \$795,494 or 36.9% compared to \$2,153,544 for the same period in 2008. In constant currency, total SG&A for the three months ended September 30, 2009 increased by \$925,396 or 45.7% compared to the same period in 2008. The increase in expenses was mainly attributable to an increase in costs related to the company's financing.

Foreign currency translation gain (loss) for the three months ended September 30, 2009 was \$543,061 compared to losses of (\$1,331,411) for the three months ended September 30, 2008. EPS was (\$0.104) for the three months ended September 30, 2009 compared to (\$0.089) during the same period in 2008. For the three months ended September 30, 2009, interest expense was \$323,976 compared to \$210,779 in 2008.

As result of the Private Placement of Convertible Notes with associated warrants that took place during the third quarter with gross proceeds of \$8.2 million (for the quarter), the Company had to account for (non-cash) interest expense related to amortization of debt discount on Promissory Notes of \$1,299,365 and (non-cash) mark to market charge from the change in the fair value of Warrant Liabilities of \$507,365.

Financial Results for the Nine-month Period Ended September 30, 2009

Revenue for the nine months ended September 30, 2009 was \$32,195,771, a decrease of \$2,829,216 or 8.1%, compared to \$35,024,987 for the nine months ended September 30, 2008. The decrease in revenue for the nine months ended September 30, 2009 was primarily the result of the unfavorable impact of a \$3,601,524 currency exchange translation effect arising from a lower USD/Euro exchange rate.

In constant currency, total revenue for the nine months ended September 30, 2009 increased by \$772,308 or 2.5% compared to the same period in 2008. The increase in revenue was attributable to an increase in Elephant Talk's MVNO revenue of \$4,078,634 compared to \$0 in the same period in 2008, offset by a decline in the company's PRS revenue of \$3,385,098 or (11.3%), compared to the same period in 2008.

Cost of service for the nine months ended September 30, 2009 was \$30,654,206, a reduction of \$3,474,121 or (10.2%), compared to \$34,128,327 for the same period in 2008. This decrease in cost of service was primarily the result of a favorable impact of a \$3,500,222 currency exchange translation effect arising from a lower USD/Euro exchange rate. In constant currency, cost of service increased \$26,101 or 0.1%, compared to the same period in 2008, primarily as a result of improved margins on ETAK's new MVNO revenue.

For the nine months ended September 30, 2009, SG&A expense was \$6,195,981, an increase of \$620,934 or 11.1%, compared to \$5,575,047 in the same period in 2008. In constant currency the total SG&A for the nine months ended September 30, 2009 increased

by \$985,443 or 18.9% compared to the same period in 2008. The increase in expenses was mainly attributable to an increase in costs related to the company's financings.

Foreign currency translation gain (loss) for the nine months ended September 30, 2009 was \$345,802 compared to a loss of (\$117,064) for the nine months ended September 30, 2008. The decrease in the 2009 periods compared to the same periods in 2008 is primarily attributable to the translation effect resulting from the substantial fluctuations in the USD/Euro exchange rates. Interest expense was \$531,915 and \$452,957, for the nine months ended September 30, 2009 and 2008, respectively.

SEC REGULATION G -- NON-GAAP INFORMATION

This press release includes non-GAAP revenues, non-GAAP cost of service and non-GAAP SG&A. These non-GAAP financial measures exclude the impact of currency translation adjustments. We have reconciled these non-GAAP financial measures with the most directly comparable GAAP financial measures in the text of this release. We believe that these non-GAAP financial measures provide meaningful supplemental information for investors regarding the performance of our business and facilitate a meaningful evaluation of our quarterly and FY 09 actual results.

ELEPHANT TALK COMMUNICATIONS, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEET

(UNAUDITED)

	September 30, 2009	December 31, 2008
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ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,884,054	\$ 1,656,546
Restricted cash	192,555	191,209
Accounts receivable, net of allowance for doubtful accounts of \$758,974 and \$503,102 at September 30, 2009 and December 31, 2008 respectively	5,464,048	4,574,013
Prepaid expenses and other current assets	2,969,980	1,916,967
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Total Current Assets	10,510,637	8,338,735
LONG TERM DEPOSITS	331,390	310,356
DEFERRED FINANCING COSTS	1,448,158	--
PROPERTY AND EQUIPMENT, NET	7,893,474	6,345,113
INTANGIBLE ASSETS, NET	4,061,035	4,461,869
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TOTAL ASSETS	\$ 24,244,694	\$ 19,456,073
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LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Overdraft	\$ 345,941	\$ 322,903
Accounts payable and customer deposits	7,322,076	5,809,211
Deferred revenue	132,205	220,058
Accrued expenses and other payables	2,575,638	1,890,004
Shares to be issued	--	619,057
Advances from third parties	202,358	274,762
Loans payable	881,070	881,035
Due to related parties	1,041,012	--

Current Liabilities	12,500,300	10,017,030
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LONG TERM LIABILITIES

Loan from related party	422,529	402,425
Convertible 12% secured note (net of discount of \$4,076,395 and \$0, respectively)	38,210	--
Convertible 12% secured note - related party (net of discount of \$4,061,926 and \$0, respectively)	38,074	--
Warrant liabilities	9,058,970	--
Conversion feature	1,526,406	--

TOTAL LIABILITIES	23,584,489	10,419,455
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STOCKHOLDERS' EQUITY

Common stock, no par value, 250,000,000 shares authorized, 53,941,884 issued and outstanding as of September 30, 2009 compared to 50,433,260 shares issued and outstanding as of December 31, 2008	54,673,528	52,933,209
Accumulated other comprehensive income	1,292,636	946,834
Accumulated deficit	(55,497,486)	(45,035,192)

Elephant Talk Communications, Inc. Stockholders' Equity	468,678	8,844,851
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NON-CONTROLLING INTEREST	191,527	191,767
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Total Stockholders' Equity	660,205	9,036,618
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 24,244,694	\$ 19,456,073
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ELEPHANT TALK COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS
(UNAUDITED)

	For the three Months ended September 30,		For the nine Months ended September 30,	
	2009	2008	2009	2008
	=====	=====	=====	=====
REVENUES	\$ 11,455,489	\$ 11,346,417	\$ 32,195,771	\$ 35,024,987
COST AND OPERATING EXPENSES				
Cost of service	10,874,205	11,142,192	30,654,206	34,128,327
Selling, general and administrative expenses	2,949,038	2,153,544	6,195,981	5,575,047
Non cash compensation to officers, directors and employees	252,521	199,886	1,272,387	589,958
Depreciation and amortization of intangibles assets	861,616	725,943	2,199,561	2,152,124
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Total cost and operating expenses	14,937,380	14,221,565	40,322,135	42,445,456
LOSS FROM OPERATIONS	(3,481,891)	(2,875,148)	(8,126,364)	(7,420,469)
OTHER INCOME (EXPENSE)				
Interest income	24,375	529,307	46,682	38,877
Interest expense	(323,976)	(210,779)	(531,915)	(452,957)
Other expenses	--	(147,132)	--	(156,101)
Interest expense related to amortization of debt discount on promissory notes	(1,299,365)	--	(1,299,365)	--
Change in fair value of warrant liabilities	(507,695)	--	(507,695)	--
Amoritization				

of deferred financing costs	(41,649)		(41,649)	
Note beneficial conversion feature	--	(1,200,000)	--	(1,200,000)
Total other income (expense)	(2,148,310)	(1,028,604)	(2,333,942)	(1,770,181)
LOSS BEFORE PROVISION FOR INCOME TAXES	(5,630,201)	(3,903,752)	(10,460,306)	(9,190,650)
Provision for income taxes	-	-	(800)	(800)
NET LOSS	(5,630,201)	(3,903,752)	(10,461,106)	(9,191,450)
Net income (loss) attributable to noncontrolling interest	(432)	21,160	(1,188)	80,409
NET LOSS	(5,630,633)	(3,882,592)	(10,462,294)	(9,111,041)
OTHER COMPREHENSIVE (LOSS) INCOME				
Foreign currency translation gain (loss)	543,061	(1,331,411)	345,802	(117,064)
	543,061	(1,331,411)	345,802	(117,064)
COMPREHENSIVE LOSS	\$ (5,087,572)	\$ (5,214,003)	\$ (10,116,492)	\$ (9,228,105)
Net loss per common share and equivalents - basic and diluted	\$ (0.104)	\$ (0.089)	\$ (0.196)	\$ (0.388)
Weighted average shares outstanding during the period - basic and diluted	54,373,240	43,381,660	53,422,421	23,508,587

ELEPHANT TALK COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the nine months periods ended September 30,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (10,462,294)	\$ (9,111,041)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,199,561	2,152,124
Provision for doubtful accounts	(104,521)	--
Stock based compensation	1,150,512	589,958
Noncontrolling interest	1,188	(80,409)
Amortization of Shares issued for Consultancy	121,875	45,139
Change in fair value of warrant liabilities	507,695	--
Interest expense relating to debt discount and conversion feature	1,341,014	--
Note beneficial conversion feature	--	1,200,000
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	(554,451)	(130,625)
Decrease (Increase) in prepaid expenses, deposits and other assets	120,028	159,281
Increase (decrease) in accounts payable, proceeds from related parties and customer deposits	1,255,893	705,647
Increase (decrease) in deferred revenue	(87,853)	--
Increase (decrease) in accrued expenses and other payables	753,797	(403,099)
Net cash used in operating activities	(3,757,556)	(4,873,025)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(3,162,599)	(1,171,652)
Restricted cash	(109)	--
Cash paid for acquisition of subsidiary	--	(1)
Net cash used in investing activities	(3,162,708)	(1,171,653)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Bank overdraft	19,535	122,358
Issuance of Common Stock	--	7,511,729
Placement fees	--	(981,682)
Proceeds from bank loans	--	(33,302)
Proceeds from Convertible 12% secured note	4,114,605	--
Proceeds from Convertible 12% secured		

note - related parties	4,100,000	--
Deferred financing costs	(845,496)	--
Loan to third party	(1,237,602)	--
Loan from related party	1,061,116	--
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Net cash provided by financing activities	7,212,158	6,619,103
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EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	(64,386)	(176,927)
NET DECREASE IN CASH AND CASH EQUIVALENTS	227,508	397,498
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	1,656,546	4,366,312
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CASH AND CASH EQUIVALENTS, END OF THE PERIOD	\$ 1,884,054	\$ 4,763,810
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SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	\$ 17,468	\$ 36,864
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SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING & FINANCING ACTIVITIES:		
Shares issued to convert the notes payable to related parties and accrued interest	\$ 532,583	\$ 7,939,171
Cash paid during the period for income taxes	800	800
Deemed Dividend as a result of loss on conversion of the above Note to related party	--	1,200,000
Warrants and derivative liabilities for issuance of 12% Promissory Notes are considered as discount of the Promissory Notes	8,214,605	-
Warrants issued to placement agents for services, treated as deferred financing costs	644,311	-

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.