

Elephant Talk Communications Inc. Reports First Quarter 2010 Results and Provides Business Update

AMSTERDAM, The Netherlands. - May 17, 2010 - Elephant Talk Communications Inc. (OTCBB: ETAK.OB), ("Elephant Talk" or the "Company"), an international provider of business software and services to the telecommunications and financial services industry, yesterday announced the results of operations for the first quarter of Fiscal Year 2010. Revenues for the quarter ended March 31, 2010 increased by 5.5% to \$9.9 million compared to revenues of \$9.1 million for the quarter ended March 31, 2009.

Elephant Talk has recently completed several milestones that management believes has positioned the company for future success and growth. Since the beginning of 2010, we have achieved the following:

1. Signed a Mobile Virtual Network Operating (MVNO) Agreement with T-Mobile Netherlands BV. This hosting agreement is to service a new MVNO initiative of T-Mobile Netherlands using the Elephant Talk MVNO platform.
2. Vizzavi Spain (part of the Vodafone Group) is beginning the migration of their MVNO customers to the Elephant Talk Network.
3. Signed 6 Heads of Term Agreements with new MVNO's in the Netherlands since January 1st 2010. The implementation phase for most of these new MVNO's are currently in the final stage.
4. Completed the acquisition of ValidSoft. This acquisition of ValidSoft provides Elephant Talk with technology for combating the \$100+ billion worldwide bank credit and debit card fraud crises.
5. Valid-POS, ValidSoft's proprietary product, received the European Privacy Seal. Official European certification demonstrating full compliance with all European data protection and privacy laws.
6. Margin Improvements. Our investments in software development in the mobile arena are beginning to pay off in the overall margin contribution which has virtually doubled compared with the previous year quarter.

"These achievements are expected to result in improved results as we progress through 2010," commented, Mr Steven van der Velden, President and CEO. "After 3 years of heavily investing in the mobile capabilities of our company we are now entering a new phase of roll-out of our innovative mobile services and customized solutions."

Elephant Talks' Loss from Operations for the quarter increased by 31% to (\$2,721,080) compared to (\$ 2,081,703) for the quarter ended March 31, 2009, with adjusted EBITA at (\$ 1,335, 473) in 2010 compared to (\$ 1,225,981) the previous year in constant currency. Net loss for the quarter was (\$12,338,995), a substantial increase of compared to (\$2,144,321) for the quarter ended March 31, 2009. These increasing losses were primarily caused by derivative accounting rules. Non cash expensing of interest expense related to amortization of debt discount on promissory notes, change in fair value of warrant liabilities and amortization of deferred financing costs. Excluding the abovementioned non-cash expenses, the Net loss came to \$ 3,135,021 for March 31, 2010 and \$ 2,143,418 for the same period in 2009.

97% of our revenues are invoiced and paid in Euro, therefore current US Dollar / Euro exchange rates have had an impact on the figures presented. To eliminate this exchange rate effect we show in the table below the comparison first quarter of 2009 figures in constant currency.

Revenue	March 31,	March 31,	March 31,	Variance March 31, 2010	
	2010	2009	2009	versus March 31, 2009	
	filed	filed	in constant	filed	in constant
			currency		currency
Landline Business	\$ 9,059,182	\$ 9,000,043	\$ 9,519,911	\$ 59,139	\$ -460,729
Mobile Services	884,583	428,841	454,156	455,742	430,427
Total Revenue	\$ 9,943,765	\$ 9,428,884	\$ 9,974,067	\$ 514,881	\$ -30,302

In constant currency, the revenues remained relatively stable, despite the decreases in the traditional landline business. This decrease was almost fully offset by the increased mobile services revenues compared to Q1 the previous year.

	Three months ended		
	March, 31		
	2010	2009	2009 in constant
	(unaudited)		
Revenue	\$ 9,943,765	\$ 9,428,884	\$ 9,974,068
Cost of Service	9,373,888	9,147,797	9,677,147
Margin	\$ 569,877	\$ 281,087	\$ 296,920

As a result of the increase of our mobile business, which carries a much higher margin than our landline business, our overall margin has almost doubled in comparison with the same quarter the previous year.

Elephant Talk employs Adjusted EBITDA, defined as earnings before interest, taxes, depreciation and amortization as well as to market adjustments related to our warrant liabilities and conversion features which are accounted under derivative accounting rules as required by US GAAP, for several purposes, including as a measure of our operating performance. We use Adjusted EBITDA because it removes the impact of items not directly resulting from our core operations, thus allowing us to better assess whether the elements of our growth strategy are yielding positive results.

A reconciliation of Adjusted EBITDA to net income, the most directly comparable measure under accounting principles generally accepted in the United States, for each of the fiscal periods indicated, is as follows:

	Three months ended March, 31		
	2010	2009	2009 in constant currency
	(unaudited)		
Net loss	\$ (12,338,995)	\$ (2,144,321)	\$ (2,211,236)
Provision for income taxes	800	800	800
Net loss attributable to noncontrolling interest	498	103	103
Depreciation and amortization	844,694	630,182	656,650
Stock-based compensation	540,913	269,460	269,460
Other expenses	9,616,617	61,715	58,242
Adjusted EBITDA	\$ (1,335,473)	\$ (1,182,061)	\$ (1,225,981)

Other expenses are for \$ 9.2 million (or 96%) related to non cash expensing of interest expense related to amortization of debt discount on promissory notes, change in fair value of warrant liabilities and amortization of deferred financing costs. The remaining 4% other expenses are interest expenses.

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 10 actual results.

About Elephant Talk Communications

Elephant Talk Communications, Inc. (OTC.BB:[ETAK](http://www.ETAK.com/)), 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 <http://www.elephanttalk.com/>

About ValidSoft

ValidSoft, a member of Elephant Talk Communications, Inc. (OTC.BB:[ETAK](http://www.ETAK.com/)), 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 <http://www.ValidSoft.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.

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SEC REGULATION G -- NON-GAAP INFORMATION