



## PHONETIME REPORTS SECOND QUARTER 2009 RESULTS

Mississauga, ON – August 14, 2009 – Phonetime Inc. (TSX: PHD), a leading global supplier of international long distance telecommunication services, today reported its financial results for the three and six month periods ended June 30, 2009. All figures are in Canadian currency.

### Financial and Operational Highlights

- **Revenue** for Q2 2009 was \$41.3 million, down 3.0% from \$42.6 million for Q1 2009 and up 5.0% from \$39.3 million for Q2 2008. On a segmented basis<sup>1</sup>, Wholesale Division revenue for Q2 \$39.3 million while Consumer Division revenue was \$8.8 million compared to \$42.8 million and \$8.0 million for Q1 2009 respectively. Consolidated year-to-date revenue was \$ 83.9 million up 11% from \$75.8 million for 2008.
- **Operating income**<sup>2</sup> for Q2 2009 was \$0.9 million, compared to \$1.0 million for Q1 2009 and \$1.9 million for 2008. Year-to-date operating income for 2009 was \$2.0 million, compared to \$3.5 million for 2008.
- **Net income** was \$0.2 million for Q2 2009, compared to \$0.2 million for Q1 2009 and \$0.7 million for Q2 2008. Year-to-date net income for 2009 was \$0.4 million compared to \$1.4 million for 2008.
- **Total long term debt and bank indebtedness** was \$8.9 million with an average interest rate of 7.33% at Q2 2009 compared to \$7.9 million at Q1 2009 and \$11.4 million at Q2 2008 and with respective average interest rates of 8.25% and 9.66%. The Company is currently restructuring its debt and expected to have this completed in Q3 2009.
- **Shareholders' Equity** was \$12.9 million for Q2 2009 compared to \$12.1 million for Q4 2008. Subsequent to the end of the quarter, Phonetime completed a private placement for gross proceeds of \$0.6 million at \$0.15 per common share.

### Overview

“We are very pleased with our Q2 results given recent economic conditions,” said Mr. Wayne Silver, Phonetime’s President and CEO. “In a challenging period for our industry, we continue

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<sup>1</sup> Before inter-segment eliminations.

<sup>2</sup> Operating income is income before loss on foreign exchange, misappropriation of assets, stock compensation costs, interest, taxes and depreciation and amortization. However, operating income is not a term that has specific meaning in accordance with generally accepted accounting principles, and may be calculated differently by other companies. Phonetime reconciles operating income to its net earnings.

to attract new carriers to our network quarter-over-quarter, grow market share and expand our operations – all with a customer base that is financially solid.”

### **Financial Results**

Consolidated revenue for the second quarter ended June 30, 2009 was \$41.3 million, representing an increase of 5% when compared to \$39.3 million for the second quarter of 2008. For the six month period of 2009, Phonetime’s revenue was \$83.9 million, up 11% from \$75.8 million for the same period of 2008.

The growth is chiefly due to higher sales volumes of the Company’s Wholesale Division, which buys and resells telecommunications long-distance services to telephone carriers around the world using Phonetime’s proprietary call trading platform. Phonetime also generates revenues through its Consumer Division, which provides pre-paid calling cards and long-distance services to targeted ethnic consumer groups across Canada. Phonetime currently has more than 125,000 customers using its long-distance retail services.

On a segmented basis, Wholesale Division revenue for Q2 2009 was \$39.3 million while Consumer Division revenue was \$8.8 million prior to inter-segment eliminations of \$6.9 million. This compares respectively to \$42.8 million and \$8.0 million prior to inter-segment eliminations of \$8.2 million for Q1 2009. Total number of international long-distance minutes processed by both the Wholesale and Consumer Divisions for Q2 2009 grew by 14% over the same period in 2008.

Gross profit for the second quarter of 2009 was \$5.1 million or 12.3% of sales compared to \$5.2 million or 13.2% of sales for the second quarter of 2008. The year-over-year decrease was principally due to higher cost of sales as a result of a decline in the value of the Canadian currency against the U.S. dollar, which chiefly impacted the high margin Consumer Division. On a year-to-date basis, gross profit for 2009 was \$10.9 million compared to \$10.1 million for 2008.

Phonetime generated operating income of \$0.9 million for the second quarter of 2009, down from \$1.8 million for the second quarter of 2008. For the first six months of 2009, operating income was \$2.0 million, down from \$3.6 million of 2008. The year-over-year decrease is attributable to a number of higher operating costs, which were paid primarily in U.S. dollars, including increased marketing costs stemming from promotional and trade show events, increased professional services fees relating to legal, audit and financing activities, increased salaries due to a growth in the number of international sales representatives, and new investments to support the Company’s continued expansion in Hong Kong. Sequentially, Phonetime’s operating costs have been reduced from the first quarter of 2009 by \$0.6 million.

Income before taxes for the second quarter of 2009 was \$0.2 million compared to \$1.1 million for the second quarter of 2008. On a year-to-date basis, income before taxes for 2009 was \$0.8 million compared to \$2.1 million for 2008.

Net income after taxes for Q2 2009 was \$0.2 million or \$0.00 per basic share after a nominal tax recovery was recorded. This compared to \$0.7 million or \$0.01 per basic share for Q2 2008. For the six month period of 2009, net income after taxes was \$0.5 million, compared to \$1.4 million for 2008.

As at June 30, 2009, Phonetime held cash and short-term investments of \$0.03 million as well as accounts receivable of \$11.1 million. Subsequent to quarter end, Phonetime completed a private placement that raised gross proceeds of \$0.6 million through the sale of units, consisting of common shares and warrants. The funds will be used primarily for working capital purposes.

### Outlook

“Our financial and market positions continue to strengthen,” said Mr. Rodney Franklin, Phonetime’s Chairman and Chief Financial Officer. “We expect our revenue and profits to grow throughout the remainder of 2009 at a modest rate despite current economic conditions. We believe our customer base is financially sound and we expect to restructure and consolidate our debt with our financial partners in Q3.”

### Financial Highlights

(000’s except share data)

	Three Months Ended		Six Months Ended	
	(unaudited)		(unaudited)	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Revenue	\$ 41,280	\$ 39,311	\$ 83,856	\$ 75,806
Gross profit	\$ 5,062	\$ 5,178	\$ 10,897	\$ 10,095
Gross profit as a percentage of revenue	12.3%	13.2%	13.0%	13.3%
Operating income	\$ 913	\$ 1,914	\$ 1,951	\$ 3,548
Net income before income taxes	\$ 223	\$ 1,118	\$ 843	\$ 2,087
Net income after income taxes	\$ 247	\$ 734	\$ 483	\$ 1,353
Earnings per share	\$ 0.002	\$ 0.01	\$ 0.004	\$ 0.01
Weighted average number of common shares basic	108.0	106.7	108.0	106.7

Phonetime will file its consolidated financial statements for the second quarter 2009 and related management’s discussion and analysis with securities regulatory authorities within the applicable timelines. The material will be available through SEDAR at [www.sedar.com](http://www.sedar.com) and the Company’s website, [www.phonetime.com](http://www.phonetime.com).

Phonetime will host a conference call to discuss its 2009 second quarter financial results on Monday, August 17 at 4:00 p.m. (ET).

To access the conference call by telephone, dial 416-644-3419 or 1-800-731-5319. Please connect approximately 15 minutes prior to the beginning of the call to ensure participation. The conference call will be archived for replay until Monday, August 24, 2008 at midnight. To access the archived conference call, dial 416-640-1917 or 1-877-289-8525 and enter the reservation number 21313132#.

A live audio webcast of the conference call will be available at [www.phonetime.com](http://www.phonetime.com). Please connect at least 15 minutes prior to the conference call to ensure adequate time for any software download that may be required to join the webcast. The webcast will be archived at the above web site for 30 days.

***About Phonetime Inc.***

Established in 1994, Phonetime is a leading supplier of international wholesale and retail long distance telecommunications services with network facilities in Canada, the U.S., Europe, Africa and Asia. Through its Wholesale Division, Phonetime buys and resells long-distance services to major telephone carriers around the world using its proprietary call trading platform. Through its Consumer Division, Phonetime competitively markets a range of pre-paid and subscription-based long distance services to targeted ethnic consumers across Canada. Phonetime's common shares trade on the Toronto Stock Exchange under the symbol PHD. More information can be found at the Company's website, [www.phonetime.com](http://www.phonetime.com)

***Caution Regarding Forward Looking Information:***

*This press release contains forward-looking statements, which may be identified by words like "expects", "anticipates", "plans", "intends", "indicates" or similar expressions. These statements are not a guarantee of future performance and are inherently subject to risks and uncertainties. Phonetime's actual results could differ materially from those currently anticipated due to a number of factors set forth in reports and other documents filed by the Company with Canadian securities regulatory authorities from time to time.*

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