August 18, 2011

Fusion Reports Second Quarter 2011 Results

NEW YORK, NY -- (MARKET WIRE) -- 08/18/11 -- Fusion Telecommunications International, Inc. (OTCBB: FSNN) today announced financial results for the quarter ended June 30, 2011.

Fusion reported consolidated revenues of $10.6 million for the quarter ended June 30, 2011, an increase of 9% when compared to revenues of $9.7 million for the quarter ended June 30, 2010. The increase over the prior year was primarily attributable to an 8% increase in revenues in the Carrier Services segment resulting from increased minutes transmitted over our network. Fusion also reported a 38% revenue increase in the Corporate Services segment due to continued expansion of the customer base in this segment.

Consolidated gross margin was 9.3% in the second quarter of 2011 as compared to 10.0% in the second quarter of 2010. The decrease in consolidated gross margin for the quarter was mainly the result of lower gross margins in the Carrier Services segment due to quarterly shifts in the distribution of customer traffic terminated.

Selling, general and administrative ("SG&A") expenses decreased by 9% in the second quarter of 2011 compared to the same period a year ago. As a result of the Company's continued cost cutting efforts, as a percentage of consolidated revenues, SG&A expenses decreased from 22.6% of revenues in the second quarter of 2010 to 18.9% of revenues in the second quarter of 2011.

Fusion reported a net loss of $1.2 million for the quarter ended June 30, 2011, which represents a 24% improvement over the net loss of $1.6 million for the quarter ended June 30, 2010. For the second quarter of 2011, the net loss applicable to common stockholders was $1.3 million, or $0.01 per share, compared to a net loss applicable to common stockholders of $1.7 million, or $0.02 per share, for the quarter ended June 30, 2010.

For the quarter ended June 30, 2011, adjusted EBITDA loss (earnings from continuing operations before interest, taxes, depreciation, amortization, and specific non-recurring and non-cash adjustments) decreased $0.2 million or 17%, to $1.0 million, compared to $1.2 million for the quarter ended June 30, 2010.

As of June 30, 2011 and December 31, 2010, the Company had current assets of $2.9 million. Current liabilities as of June 30, 2011, were $13.9 million compared to $12.6 million at December 31, 2010. Stockholders' deficit at June 30, 2011 and December 31, 2010 was $9.5 million and $8.1 million, respectively. Stockholders' deficit at June 30, 2011 reflects $0.5 million of additional equity raised through private placements of common stock, and the conversion of debt to equity in the amount of $0.4 million.

Commenting on the first quarter results, Matthew Rosen, Chief Executive Officer of Fusion, said, "We are pleased to report a significant year over year rise in consolidated revenue that included increases in both the Carrier and Corporate Services business segments. Our continued focus on reducing expenses and driving operating efficiencies has resulted in important year over year reductions in our SG&A expenses, and lower operating and adjusted EBITDA losses. Despite the very limited availability of working capital, we remain committed to growing both our Carrier and Corporate Services business segments while continuing to improve our bottom line. We are working to secure the capital necessary to fund the business, while maintaining our strong focus on continued organic growth and strategic partnerships and acquisitions."

Expanding on Mr. Rosen's comments, Don Hutchins, President and Chief Operating Officer of Fusion, said, "We are particularly pleased with the quarter over quarter growth in our Corporate Services business segment. We also continue to experience substantial growth in add-on orders from our customers, which we believe is a good indicator of their growing needs and satisfaction with our products and services. This growth in add-on orders is driving Fusion to find additional products and services that we can offer to our existing customer base. Continued revenue growth, combined with substantial improvements in cost containment, demonstrates our significant progress in meeting our financial objectives."

Use of Non-GAAP Financial Measurements:

The Company believes that EBITDA (earnings from continuing operations before interest, taxes, depreciation and amortization) is useful to investors because it is commonly used in the communications industry to evaluate companies on the basis of operating performance and leverage. The Company also believes that EBITDA provides investors with a measure of the Company's operational and financial progress that corresponds with the measurements used by management as a basis for allocating resources and making other operating decisions. Adjusted EBITDA provides an adjusted view of EBITDA that takes into account certain significant non-recurring transactions, if any, such as impairment losses, which vary significantly between periods and are not recurring in nature, as well as certain recurring non-cash charges such as stock-based compensation. Although the Company uses adjusted EBITDA as one of several financial measures to assess its operating performance, its use is limited as it excludes certain significant operating expenses. EBITDA and adjusted EBITDA are not intended to represent cash flows for the period presented, nor have they been presented as an alternative to operating income or as an indicator of operating performance and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). In accordance with SEC Regulation G, the non-U.S. GAAP measurements in this press release have been reconciled to the nearest U.S. GAAP measurement, which can be viewed under the heading "Reconciliation of Net Loss to EBITDA and Adjusted EBITDA", immediately following the Consolidated Balance Sheets included in this press release.

Statements in this press release that are not purely historical facts, including statements regarding Fusion's beliefs, expectations, intentions or strategies for the future, may be "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. All forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from the plans, intentions and expectations reflected in or suggested by the forward-looking statements. Such risks and uncertainties include, among others, the Company's ability to attract fresh and continued capital to execute its comprehensive business strategy, the impact of competitors with broader product lines and greater resources, the effects of our emergence into new markets, the impact of termination of any of the Company's significant contracts or partnerships, the Company's ability to maintain working capital requirements to fund current and future operations, the Company's ability to attract and retain highly qualified management, technical and sales personnel, our ability to introduce products and services in a timely fashion, whether we achieve market acceptance of new products and services, the effects of cost increases, price and product competition, the impact of delays in obtaining regulatory approvals and the prospect of litigation. Risk factors, cautionary statements, and other conditions which could cause Fusion's actual results to differ from management's current expectations are contained in Fusion's filings with the Securities and Exchange Commission and are available through http://www.sec.gov.

Fusion Telecommunications International, Inc. and Subsidiaries
Consolidated Statements of Operations

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Revenues	$ 10,643,036	$ 9,727,200	$ 20,847,316	$ 19,315,832
Operating expenses:				
Cost of revenues	9,655,765	8,753,785	18,801,395	17,417,554
Depreciation and amortization	148,530	207,909	317,068	439,785
Selling general and administrative expenses	2,005,991	2,195,581	4,166,744	4,391,892
Advertising and marketing	819	17,425	5,382	21,196
Total operating expenses	11,811,105	11,174,700	23,290,589	22,270,427
Operating loss	(1,168,069)	(1,447,500)	(2,443,273)	(2,954,595)
Other income (expenses):				
Interest income	61	120	157	243
Interest expense	(55,786)	(54,716)	(104,169)	(104,307)
Gain on settlements of debt	-	-	-	9,500
Other	21,134	3,862	109,829	8,729
Total other income (expenses)	(34,591)	(50,734)	5,817	(85,835)
Loss from continuing operations	(1,202,660)	(1,498,234)	(2,437,456)	(3,040,430)
Discontinued operations:				
Income (loss) from				

discontinued operations	152	(86,982)	8,364	(88,355)
Net loss	$ (1,202,508)	$ (1,585,216)	$ (2,429,092)	$ (3,128,785)
Preferred stock dividends in arrears	(122,816)	(159,462)	(266,717)	(317,171)
Net loss applicable to common stockholders:	$ (1,325,324)	$ (1,744,678)	$ (2,695,809)	$ (3,445,956)
Basic and diluted loss per common share:				
Loss from continuing operations	$ (0.01)	$ (0.02)	$ (0.02)	$ (0.03)
Loss from discontinued operations	0.00	(0.00)	0.00	(0.00)
Loss per common share	$ (0.01)	$ (0.02)	$ (0.02)	$ (0.03)
Weighted average common shares outstanding:				
Basic and diluted	139,666,939	108,396,957	136,151,459	102,960,496

Fusion Telecommunications International, Inc. and Subsidiaries
Consolidated Balance Sheets

	June 30, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 25,552	$ 20,370
Accounts receivable, net of allowance	2,773,786	2,721,585
Prepaid expenses and other current assets	125,843	103,009
Assets held for sale	808	1,089
Current assets from discontinued operations	9,869	12,449
Total current assets	2,935,858	2,858,502
Property and equipment, net	918,374	1,124,398
Other assets:		
Security deposits	14,580	13,330
Restricted cash	533,437	533,437
Intangible assets, net	368,852	409,000
Other assets	37,096	39,486
Total other assets	953,965	995,253
TOTAL ASSETS	$ 4,808,197	$ 4,978,153
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Promissory notes payable - non-related parties	$ 250,977	$ 683,870
Promissory notes payable - related parties	4,106,364	2,420,625
Capital lease/equipment financing obligations, current portion	1,963	4,550
Escrow payable	80,000	155,000
Accounts payable and accrued expenses	9,354,852	9,178,674
Current liabilities from discontinued operations	121,455	165,274
Total current liabilities	13,915,611	12,607,993

Long-term liabilities:		
Other long-term liabilities	419,900	428,646
Total long-term liabilities	419,900	428,646
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock	50	73
Common stock	1,438,291	1,320,105
Capital in excess of par value	136,455,855	135,613,755
Accumulated deficit	(147,421,510)	(144,992,419)
Total stockholders' deficit	(9,527,314)	(8,058,486)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 4,808,197	$ 4,978,153

Fusion Telecommunications International, Inc. and Subsidiaries
Reconciliation of Net Loss to EBITDA and Adjusted EBITDA

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net loss	$ (1,202,508)	$ (1,585,216)	$ (2,429,092)	$ (3,128,785)
(Income) loss from discontinued operations	(152)	86,982	(8,364)	88,355
Interest expense, net of interest income	55,725	54,596	104,012	104,064
Depreciation and amortization	148,530	207,909	317,068	439,785
EBITDA	(998,405)	(1,235,729)	(2,016,376)	(2,496,581)
Stock-based compensation expense	9,705	68,818	33,387	137,045
Adjusted EBITDA	$ (988,700)	$ (1,166,911)	$ (1,982,989)	$ (2,359,536)

FUSION CONTACT:
Philip Turits
212-201-2407
Email Contact

Source: Fusion Telecommunications International, Inc.