

May 14, 2013

## Fusion Generates Positive Adjusted EBITDA and Increases First Quarter Revenue 40% to \$16.2 Million

NEW YORK, NY -- (Marketwired) -- 05/14/13 -- Fusion Telecommunications International, Inc. (OTCQB: FSNN), a provider of cloud communications, cloud computing and managed cloud solutions, today announced financial results for the first quarter ended March 31, 2013.

### *Company Highlights*

- Achieved revenues of \$16.2 million for the quarter ended March 31, 2013, an increase of \$4.6 million, or 40.2%, from the first quarter of 2012.
  - Revenues from Fusion's higher margin Business Services Segment increased by \$6.9 million to \$7.5 million in the first quarter of 2013 compared to the same period last year.
- Gross profit increased 196% to \$4.4 million compared to the three month period ended March 31, 2012.
- Gross margin increased to 27.3% for the first quarter of 2013, as compared to 12.9% for the first quarter of 2012.
- Achieved positive adjusted EBITDA milestone: Adjusted EBITDA for the first quarter of 2013 was \$0.2 million compared to an adjusted EBITDA loss of \$0.6 million for the first quarter of 2012.
- The number of business customers totaled 3,495 in the first quarter of 2013, with the average revenue per customer reaching approximately \$700.00.
- Signed contracts valued at more than \$5.3 million, representing a record quarter of newly contracted business.
- Completed integration of operations from NBS, the recently acquired cloud services provider.

"Our achievement of positive EBITDA in the first quarter of 2013 was an important and exciting milestone for the Company," stated Matthew Rosen, Fusion's Chief Executive Officer. "We are extremely pleased that our ongoing efforts to increase shareholder value have resulted in a number of significant accomplishments, including record sales in contracted business and an overall increase in revenue of 40%. As we continue to emerge as a leader in the rapidly expanding cloud services industry, we are encouraged by our customers' confidence in the value of our cloud solutions and our commitment to service excellence. The successful integration of NBS systems, infrastructure, experienced management team and staff, coupled with a growing pipeline of sales opportunities, positions us for further growth both organically and through the acquisition of additional profitable businesses in the future. We remain committed to our strategic business model for continued market expansion and strong financial gains."

### *First Quarter Results*

Fusion reported consolidated revenues of \$16.2 million for the quarter ended March 31, 2013, an increase of \$4.6 million, or 40.2%, from the first quarter of 2012. Revenues from Fusion's Business Services Segment increased by \$6.9 million to \$7.5 million in the first quarter of 2013 compared to the same period of a year ago, due to the inclusion of revenue contributed by NBS, which the Company acquired on October 29, 2012. The Company's Carrier Services revenue for the first quarter decreased by \$2.3 million, or 20.7%, from the first quarter of 2012, due to a decrease in the volume of traffic terminated over its network, partially offset by higher realization rates.

The Company's consolidated gross margin increased to 27.3% for the first quarter of 2013, as compared to 12.9% for the first quarter of 2012, due to an increased contribution from the higher margin Business Services segment, which generated a gross margin of 49.6% in the first quarter of 2013, compared with a 37.7% gross margin in the same period of a year ago, due to the acquisition of NBS. The gross margin for the Carrier Services segment decreased to 8.2% in the first quarter 2013 from 11.6% in the same period of a year ago, mainly due to higher rates for the cost of traffic terminated.

Net loss for the first quarter was \$1.6 million, or (\$0.01) per share, as compared to \$0.8 million and (\$0.01) per share in the same period of a year ago. The net loss in the first quarter of 2013 includes interest on senior debt of \$0.5 million and amortization of intangibles acquired in the NBS transaction of \$0.6 million, with no comparable amounts present in 2012. Adjusted EBITDA (earnings (loss) from continuing operations before interest, taxes, depreciation, amortization, and specific non-recurring and non-cash adjustments) for the first quarter of 2013 was \$0.2 million, as compared to an adjusted EBITDA loss of \$0.6 million in the first quarter of 2012, with the improvement being attributable to the inclusion of NBS' results in the first quarter of 2013.

At March 31, 2013, the Company had a working capital deficit and stockholders' deficit of \$8.3 million and \$6.7 million, respectively, as compared to a working capital deficit of \$8.0 million and \$6.1 million, respectively, at December 31, 2012, and total assets of \$27.5 million.

*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 and professional fees associated with pending acquisitions, 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-GAAP measurements in this press release have been reconciled to the nearest 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.

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

	Three Months Ended March 31,	
	2013	2012
Revenues	\$ 16,168,421	\$ 11,534,705
Cost of revenues	11,751,596	10,044,760
Gross profit	4,416,825	1,489,945
Operating expenses:		
Depreciation and amortization	849,915	98,223
Selling general and administrative expenses	4,267,597	2,051,142
Total operating expenses	5,117,512	2,149,365
Operating loss	(700,687)	(659,420)
Other (expenses) income:		
Interest expense, net of interest income	(659,519)	(57,086)
Other	(236,074)	(69,445)
Total other (expenses) income	(895,593)	(126,531)
Net loss	\$ (1,596,280)	\$ (785,951)
Preferred stock dividends in arrears	(99,246)	(100,349)
Net loss applicable to common stockholders:	\$ (1,695,526)	\$ (886,300)
Basic and diluted loss per common share:		
Loss from continuing operations	\$ (0.01)	\$ (0.01)
Loss from discontinued operations	-	-
Loss per common share	\$ (0.01)	\$ (0.01)
Weighted average common shares outstanding:		
Basic and diluted	178,670,488	159,988,401

	March 31, 2013	December 31, 2012
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ASSETS		
Current assets:		
Cash and cash equivalents	\$ 419,390	\$ 543,214
Accounts receivable, net	4,225,142	2,924,302
Inventory	507,949	341,118
Prepaid expenses and other current assets	655,559	1,001,449
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Total current assets	5,808,040	4,810,083
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Property and equipment, net	2,349,326	2,406,944
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Other assets:		
Security deposits	576,768	439,741
Restricted cash	1,026,326	1,026,326
Goodwill	2,406,269	2,406,269
Intangible assets, net	14,842,792	15,396,117
Other assets	530,071	582,947
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Total other assets	19,382,226	19,851,400
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TOTAL ASSETS	\$ 27,539,592	\$ 27,068,427
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LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Notes payable - non-related parties	\$ 405,137	\$ 208,333
Notes payable - related parties	696,429	639,286
Equipment financing obligations	136,281	136,392
Accounts payable and accrued expenses	11,671,386	10,579,496
Related party payable	1,127,550	1,159,573
Current liabilities from discontinued operations	55,000	55,000
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Total current liabilities	14,091,783	12,778,080
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Long-term liabilities:		
Notes payable - non-related parties, net of discount	14,396,108	14,475,747
Notes payable - related parties	4,281,422	4,492,136
Equipment financing obligations	72,247	102,071
Derivative liability	1,199,250	1,066,000
Other long-term liabilities	232,310	266,132
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Total liabilities	34,273,120	33,180,166
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Stockholders' deficit:		
Preferred stock	119	119
Common stock	1,908,491	1,782,504
Capital in excess of par value	147,608,509	146,760,005
Accumulated deficit	(156,250,647)	(154,654,367)
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Total stockholders' deficit	(6,733,528)	(6,111,739)
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TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 27,539,592	\$ 27,068,427
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Fusion Telecommunications International, Inc. and Subsidiaries  
Reconciliation of Net Loss to EBITDA and Adjusted EBITDA  
(unaudited)

	Three Months Ended March 31,	
	2013	2012
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Net loss	\$ (1,596,280)	\$ (785,951)
Interest expense and other financing costs	743,003	132,238
Depreciation and amortization	849,915	98,223
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EBITDA	(3,362)	(555,490)
Acquisition transaction expenses	-	16,306
Loss on forgiveness of debt	58,203	-
Change in fair value of derivative liability	133,250	-

Non-cash adjustment to tax accruals	-	(98,141)
Stock-based compensation expense	47,831	6,996
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Adjusted EBITDA	\$ 235,922	\$ (630,329)
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*Forward Looking Statements:*

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 1996. Such statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward-looking terminology such as "may", "expect", "anticipate", "intend", "estimate" or "continue" or the negative thereof or other variations thereof or comparable terminology. The reader is cautioned that all forward-looking statements are speculative, and there are certain risks and uncertainties that could cause actual events or results to differ from those referred to in such forward-looking statements. This disclosure highlights some of the important risks regarding the Company's business. The primary risk is the Company's ability to raise new and continued capital to execute its comprehensive business strategy. Additional risks include uncertainties associated with: the integration of businesses following an acquisition; the Company's ability to comply with its senior debt agreements; concentration of revenue from one source; competitors with broader product lines and greater resources; emergence into new markets; natural disasters, acts of war, terrorism or other events beyond the Company's control; the termination of any of the Company's significant contracts or partnerships; the Company's inability to maintain working capital requirements to fund future operations; the Company's ability to attract and retain highly qualified management, technical and sales personnel; and the other factors identified by us from time to time in the Company's filings with the Securities and Exchange Commission, which are available through <http://www.sec.gov>. However, the reader is cautioned that our future performance could also be affected by risks and uncertainties not enumerated above.

*About Fusion*

Fusion is a leading provider of cloud communications, cloud computing and managed applications solutions to small, medium and large businesses, and carriers worldwide. Fusion's advanced, high availability service platform enables the integration of leading edge products and services in the cloud, including hosted voice, data, managed network services, Infrastructure as a Service, storage, security, data center services and Emergency Preparedness. Fusion's innovative yet proven cloud-based solutions lower our customers' cost of ownership, and deliver new levels of security, flexibility, scalability and speed of deployment. For more information, please visit [www.fusiontel.com](http://www.fusiontel.com).

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