

**9 MAY 2006**

**ATELIS PLC  
("Atelis" or the "Company")**

**Admission to AIM and Placing to raise £1m**

Atelis plc, (AIM: ATEL) a specialist software company providing telecoms solutions, announces that it has raised £1 million (before expenses) through the Placing of 5,000,000 New Ordinary Shares at the Placing Price of 20p per share. Trading in the Ordinary Shares of the Company on AIM commenced today. The Placing was well received by institutional investors and was oversubscribed.

The Company has written a range of software applications that create what is known as a "Softswitch", that is able to replace traditional switchboards and allows telephone calls to be made and received over the Internet. Atelis' solutions provide the full functionality of a normal telephone exchange but at a significant cost saving to the customer. This means that Atelis' range of software products allow customers to benefit from the cost savings derived from Internet telephony.

Market research suggests that the number of corporate telephone lines that use Internet telephony will leap from 4% in 2004 to 44% in 2008 and that corporate spending on Internet telephony will rise from \$1 billion in 2004 to \$5.5 billion by 2008.

**Highlights of the Placing**

- The Company has raised £1 million (before expenses) through the Placing of 5,000,000 New Ordinary Shares at the Placing Price of 20p per share.
- On Admission, the Company will have a market capitalisation of approximately £5 million at the Placing Price and the Placing will represent approximately 20% of the enlarged issued share capital of the Group.
- None of the executive management team, who are subject to lock-in arrangements, sold shares in the Placing. The Directors will hold, in aggregate, approximately 37% of the enlarged issued share capital of the Company following the Placing.
- The Company intends to apply the net proceeds of the Placing to finance the next stage of its development and growth including funding ongoing R&D, product development and the expansion of the Company's network of resellers.
- An Admission Document was published on 5 May 2006.
- The Nominated Adviser to the Company is City Financial Associates Limited and the Broker is Lewis Charles Securities Limited.

**Andrew Caird, Executive Chairman of Atelis** commented: "We are pleased with the excellent level of support we have received from our new institutional investors. The funds from the Placing will ensure that we are well positioned to fully exploit the expected growth in Internet Telephony as we look to extend our number of partnerships and enter new territories."

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### **Placing statistics**

Placing Price per share	20p
Number of shares in issue following Admission	25,025,000
Number of new shares being placed on behalf of the Company	5,000,000
Percentage of enlarged issued share capital represented by the shares being placed	20%
Market capitalisation on Admission at the Placing Price	£5 million
Estimated net proceeds of the Placing receivable by the Company	£700,000

### **ABOUT THE COMPANY**

The Company has written a range of software applications that create what is known as a "Softswitch", that is able to replace traditional switchboards and allows telephone calls to be made and received over the Internet. Atelis' solutions provide the full functionality of a normal telephone exchange but at a significant cost saving to the customer. This means that Atelis' range of software products allow customers to benefit from the cost savings derived from Internet telephony.

The Company's products are distributed through a network of telecoms and IT systems resellers. Five major contracts have already been signed with the following resellers: Bezeq International Limited (overseas customers of the Israeli national telecoms carrier), Ebony Enterprises Limited (Uganda and Kenya), Midas Telecoms Limited (Spain and South Africa), TSG Limited (Romania) and Quinlan Limited (Spain and Ireland). Under the terms of the reseller agreements, the reseller will market and sell Atelis' platforms. Atelis intends to train and support its resellers and offer second level support to them.

Atelis' business model has four distinct projected revenue streams: solutions, whereby the Company offers a service marketed by the reseller to its customers, which will be branded for the reseller and will run on a generic Intel server; revenue share on external call traffic generated by customers of the resellers; subscriptions paid by the customer to the reseller for broadband telephony; and ongoing support and maintenance, charged to the customer at approximately 12 per cent. of the price of the initial installation. Atelis will typically share part of the revenue generated from the distinct income streams mentioned above with its resellers.

Atelis currently operates in the UK and in Israel, where its development team is based. The proceeds of the Placing will be used to fund ongoing R&D, product development and expansion of the Company's network of resellers.

### **Differentiating Technology**

The Company's core product is Softswitch software that has been developed from the Asterisk Open Source Code. Atelis has now written several external modules to manage such applications as billing. Atelis' software is competitively advantageous as it enables the applications it has designed/built to run on the same server as the Softswitch. The Directors believe that competing technology typically requires additional servers to provide a similar level of functionality.

The Directors believe that the ability to reduce costs to its customers through the utilisation of fewer servers is one of the key competitive advantages of its Internet telephony software as the additional software modules can all function on a single server.

The Directors believe that installations typically would require multiple servers, with each one responsible for handling a specific function. A full installation telephony service by one of Atelis' competitors typically comprises switching, billing and provisioning, requiring multiple servers, each handling the different functions. This would have added greatly to the complexity of the installation, the overall cost and the space requirements, as well as the reliability and maintenance.

All software products currently developed by Atelis are proprietary. The Directors are considering seeking a patent for its software, but believe they have at least a 12-month lead on other entrants to this market. Atelis has a team of developers who are continuing to improve, and provide additional functionality to, its software products. Atelis intends to continue to invest in this area of the business as it believes that maintaining its technological advantage is crucial.

The Directors believe that the key technology differentiator between Atelis and its competitors is the integration of the switching software and Atelis installs its switches on generic Intel servers, which ensures that Atelis is able to supply its clients with the latest server technology without the need to manufacture in-house hardware. This further ensures that the Company receives a manufacturer's warranty from Intel supplied back-to-back to its clients and only needs to maintain its software. This is a critical aspect of the Company's competitive price offering.

### **Market Analysis**

According to current market research reports, global VoIP traffic grew by 35% in 2004 and international VoIP traffic was expected to exceed 42 billion minutes in 2005, representing over 16% of the total international voice market.<sup>1</sup>

Further research shows that as of June 2005 VoIP system sales had grown over the previous year by 31%, while sales of PSTN systems declined by 20% during the same period.<sup>2</sup> In 2004 global VoIP equipment sales revenues totalled \$1.7 billion, a 36% increase over 2003.<sup>3</sup>

The highest growth rates for broadband telephony have been seen in developing countries where PSTN telephony is inadequate and limited and national telecoms carriers are less dominant.

In the UK, despite a decreasing customer base, approximately 64% of all telephone lines still use BT services (this compares to over 80% in 2002)<sup>4</sup>. BT is reported to be investing heavily in developing its own VoIP offering for its customers; its large customer base leaves it in a good position to gain a large market share in VoIP. In developing nations VoIP growth is higher and consequently the Directors believe that there is more opportunity for smaller carriers and ISPs to gain a foothold in the VoIP market. It is in these markets where Atelis is focusing its sales.

### **Directors**

*Andrew Caird, Executive Chairman Age 59*

Andrew Caird is a founding member and director of the Company. Initially he spent 19 years with the RAF in the areas of supply logistics, fuels and personnel management. Since then he has worked for a number of companies including Calor Gas and an Apple computer supplier before concentrating on developing business models to harness the opportunities created by the internet. He set up Atelis with in September 2003 and was later joined by Rony Cohen.

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<sup>1</sup> Digital Media Europe 'Global VoIP traffic grew by 35% in 2004', 16/12/05

<sup>2</sup> CRN report 'VoIP Growth Vastly Outpacing Traditional Voice', 28/11/05, www.crn.com

<sup>3</sup> vnunet.com 'Global VoIP market to reach \$1.7bn in 2005', 24/2/05

<sup>4</sup> Ofcom, 'The Communications Market: August 2005 Quarterly Update'

*Rony Cohen, Chief Executive Officer and Chief Operating Officer Age 33*

Rony Cohen, the co-founder of Atelis, worked originally for the Israeli Ministry of Defence in London before joining m-Wise Limited, a leading technology provider, where he was responsible for the development of new business in London and Israel. From 2002 he has concentrated on developing cutting edge VOIP technology and Telco Softswitches in various forms.

*Nir Simionovich, Chief Technical Officer Age 32*

Following his military service in Israel as a System's Analyst for the Israeli Army computer Corp, Nir studied in the Technion in Haifa - IIT until the year 2000. During that time, Nir had been very involved in the Israeli Open Source community. Subsequently, he became a GNU (the GNU Project was launched in 1984 to develop a complete operating system which is free software) Certified Linux professional, GNU Certified Linux Administrator GNU Certified Linux Instructor and Stonebeat FullCluster Engineer, during his position as an Information Security consultant at artNET experts until 2001. He was employed by M-Wise Limited as IT Manager and pre-sale support engineer for 2 years from April 2001, joining Dimitel Limited as technology director in 2003. Rony Cohen recruited him to join Atelis' business in Israel in April 2004 which was formalised by a contract of employment with Atelis Israel Limited in March 2006. He has published several technical documents regarding IT security and infrastructure and is an active member of the Asterisk Open Source PBXProject.

*Raymond Harris, Chief Financial Officer Age 66*

Raymond Harris FCA is a Chartered Accountant. He qualified as a chartered accountant in 1961 and became a partner in Bennett Nash Woolf in 1963. In 1976 he left the partnership and worked as a sole practitioner as Harris & Co. In 1977 Mr Harris founded and began developing a multi national telecommunications business. That business was sold in 1986 and Mr Harris continued to develop his accountancy practice until he merged Harris & Co with Gerald Edelman in 1989. He retired from Gerald Edelman as a partner in June 2003. From July 2003 to date Mr Harris operates as a business and tax consultant, and is a director of one listed and three AIM listed companies and one OFEX listed company.

*Peter Dodds, Non Executive Director Age 67*

Peter Dodds initially spent 5 years with IBM then provided services to Gemini Computer Systems in Europe before joining the main board of the French division of Cap Gemini where he remained for 7 years. Subsequently he became Group Chief Executive of The Trend Group Limited and then director of an investment fund. More recently he has set up a business consultancy service providing management and non-executive services to companies in the IT and telecommunications fields.