

July 24, 2006

FON Wireless

MEMORANDUM OF UNDERSTANDING WITH ELITEL TO DEVELOP Wi- Fi
COVERAGE AND NEW FIXED-MOBILE SERVICES

Elitel Telecom SpA (AIM: ETM), the independent Italian telecommunications group, today announced that it has signed a memorandum of understanding ("MOU") with FON Wireless Limited, a global on-line community who encourage the sharing of Wi-Fi broadband access. Under the term of MOU Elitel customers will become part of the FON Community with unrestricted access to FON's Broadband Services.

FON is one of the largest WiFi Hotspot community that provides worldwide Internet access to the 70,000 members of its virtual community (known as "Foneros") by making use of spare bandwidth from customers' broadband connections. FON has developed software that turns a router into a FON Wi-Fi hotspot, forming part of the FON global Wi-Fi Community.

The MOU intends that Elitel will provide its customers with free access to FON's Community with coverage of the FON Community both in Italy and internationally. Customers will be able to surf the Internet, make VoIP telephone calls and to access to their personal data through intranet. Elitel will pre-install the FON software in all Wi-Fi CPE (Customer Primary Equipment) such as WiFi routers and Wi-Fi modems shipped to its customers.

The agreement with FON represents a further step towards convergence of Elitel's fixed-mobile services. It follows the announcement in June of Elitel's integrated, dual-mode phone that allows to use the Elitel VoIP service wherever a Wi-Fi network is available as well as works as a GSM phone with mobile tariffs. The announcement of the MOU with FON strengthens Elitel's strategy for convergence services extending Wi-Fi coverage for all Elitel customers.

The final agreement is expected be signed within the next three months.

Federico d'Este, Chief Executive commented: "We are pleased to have signed this memorandum of understanding with FON which, once we enter the agreement, we believe will encourage the development of wireless in Italy and will provide Elitel with the opportunity to develop new integrated fixed and mobile services."

Robert Lang, Head of FON Business Development Europe: "FON is the largest WiFi community in the world and we are very happy to find more and more ISP support also in Italy, where Elitel is one of the leaders in Fixed-mobile Integration."

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Notes to Editor

About Elitel

Elitel is an independent Italian fixed line telecommunications group. It provides a broad range of voice, data and broadband services, including voice-over IP ('VoIP'), to both businesses and residential customers. The Group also provides wholesale telecommunications services to other carriers, international call services specifically for the Italian ethnic market and telecommunications services to premium content providers. Elitel's network, which covers the whole of Italy is based on interconnection agreements and access through the leasing of lines from carriers including Telecom Italia and other international carriers.

By 31 December 2005 the Group's own fixed line customer base comprised more of 69.000 business customers; 175.000 residential customers and more of 9.200 VoIP end users.

In February 2006, Elitel (www.eliteltelecom.com) successfully floated on AIM, part of the London Stock Exchange (AIM : .ETM), raising £8.0 million to fund the expansion of the Group.

About FON

FON (www.fon.com) was founded by the Argentinian serial entrepreneur Martin Varsavsky in November 2005. In February 2006, Google, Skype, Index Ventures and Sequoia Capital invested \$ 21.7 million to promote the idea .

FON's objective is to create a worldwide community of a million Wi-Fi hotspots by the end of 2007.

FON allows its members, called "Foneros" or "Foneras", to become part of the community, setting up their own access point and sharing their broadband Internet connection. This in turn allows them to share other wireless access points on FON's global wireless Community.

FON enables ISPs to offer their customers worldwide mobility and also allows developers to create new wireless applications based on FON's open source platform.

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