



## **NEWS RELEASE**

February 15, 2011

### **Billing Services Group Limited (‘BSG’ or the ‘Company’) Business Update**

BSG, a leading provider of clearing, settlement, payment and financial risk management solutions to the telecommunications industry, merchants and on line stores, is pleased to announce that operating revenues for the year ended December 31, 2010 are likely to be slightly ahead of the previously published guidance of between \$130.0 million and \$132.0 million, and EBITDA is likely to be within the previously published guidance of between \$31.0 million and \$32.5 million. The Company anticipates releasing full year results in March 2011.

#### **Operational and Regulatory Matters**

The Company continues to work with the largest local exchange carrier (‘LEC’) in the United States that, as announced in September 2010, took a restrictive position on certain newly marketed enhanced services that are not exclusively provided by it, or by the Company on its behalf. Accenture is auditing the Company's compliance with specific performance requirements set out by the LEC, particularly with respect to enhanced services, and this audit commenced on January 12, 2011. It is expected to conclude in March 2011. The Company anticipates it will complete the audit successfully.

With respect to the ongoing Congressional inquiry announced by the Company in December 2010, it is not possible to assess the impact of this matter at this time. Further information will be provided as it becomes available.

#### **Bill2Phone™**

During 2010, BSG business development personnel conducted 115 formal sales presentations to a wide variety of merchants. These service providers, some of which are national in scope, provide digital content and represent music and video download sites, technical support services, on-line periodicals, on-line dating, on-line gaming (not gambling) and other digitally delivered services. Notwithstanding our best efforts, the Bill2Phone sales campaign has been disappointing for a number of reasons.

While the preponderance of these prospective merchants recognize the potential value of billing services to the local telephone bill, most cited similar reasons for not continuing dialog or moving forward through the contract phase. These reasons include the lack of ubiquitous pricing from the larger local exchange carriers, IT and integration issues, the payment timeline, the decline (or lack) of landlines and compatibility with current checkout procedures. Others are waiting for case studies to be published that demonstrate meaningful incremental sales lift or for an announcement with a large, recognizable merchant that has adopted Bill2Phone with measurably successful results.

One specific market vertical we find encouraging is the charity and non-profit space. The demographics in this vertical – including a higher mix of older individuals with landline telephones – fit well with either a single or recurring contribution being placed on the local telephone bill. We currently have contracts with three charities and these entities are in the implementation phase.

In total, eleven new Bill2Phone agreements were executed and began the implementation process in 2010. While there are differences between BSG products, all contracts with new merchants that require nationwide implementation generally take a minimum of 90 days before any transaction flow, with the majority requiring 120 to 180 days. Reasons for this timeframe primarily revolve around the LEC, and include submission schedules, resource availability, approvals and network connectivity. BSG also applies its due diligence process and procedures during the implementation phase. In some instances, certain contracts are never implemented due to elements including a merchant's change of business plans, product offering termination, unacceptable due diligence results and occasionally a lack of LEC approval. It is management's expectation that virtually all of the eleven agreements that began implementation in 2010 will experience transaction flow in 2011. Given the relatively small Bill2Phone volume expected from these merchants, management currently estimates that these contracts will not generate more than \$2 million in full year annual revenues.

## **2011 Forecast**

The Company remains optimistic that there will be a pickup in enhanced billing services. However, notwithstanding the Company's expected successful completion of the Accenture audit, the Company believes its revenue and EBITDA for 2011 will be negatively impacted because of the ongoing, and increasing, negative perception of enhanced services and the new uncertainty surrounding LEC billing for enhanced services stemming from the increased level of Congressional scrutiny. In addition, the Company noted in its interim results announcement of August 13, 2010 that it had benefitted from an increased level of complaint fees during the first half of 2010 that it believed was unsustainable in the long term. It is management's view that this will prove to be the case in 2011, with revenue from complaint fees down significantly.

Given these factors, the Company forecasts that operating revenues are likely to be in the range of \$104 million to \$109 million, and EBITDA in the range of \$20 million to \$22 million for the year ending December 31, 2011. The EBITDA range takes into account significant charges for the professional fees incurred in connection with the previously announced Congressional investigation, as the Company is taking proactive steps to address this matter, and the audit currently being conducted by Accenture.

The realities of the current market conditions are clearly constraining the Company's performance and the financial covenants in the Company's credit agreement are scheduled to tighten in 2011. Consequently, the Company shortly expects to conclude an amendment to its credit agreement to accommodate the current financial outlook.

The Board of Directors is committed to paying down the Company's debt as quickly as the financial performance of the business allows and continues to explore ways to increase shareholder value.

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**About BSG:**

BSG is headquartered in San Antonio, Texas, USA and traded on the London Stock Exchange (AIM: BILL). For over 20 years, BSG has been a leading provider of clearing, settlement, payment and financial risk management solutions for the telecommunications industry, merchants and online stores. For more information on BSG, visit [www.bsgclearing.com](http://www.bsgclearing.com).