

Xfone, Inc. and Subsidiaries
STATEMENT OF OPERATIONS

	Years Ended	
	December 31	
	<u>2007</u>	<u>2006</u>
Revenues	\$ 44,723,934	\$ 37,914,037
Cost of revenues	<u>19,626,322</u>	<u>21,968,998</u>
Gross profit	<u>25,097,612</u>	<u>15,945,039</u>
Operating expenses:		
Research and development	47,609	45,709
Marketing and selling	10,886,883	4,937,007
General and administrative	12,335,759	9,927,301
Non- recurring loss	<u>2,856,803</u>	
Total operating expenses	<u>26,127,054</u>	<u>14,910,017</u>
Operating profit (loss)	(1,029,442)	1,035,022
Financing expenses, net	(515,562)	(540,688)
Equity in income of affiliated company	132,867	60,574
Loss from a change of holding of affiliated company	-	(58,472)
Other income	<u>-</u>	<u>84,723</u>
Income (loss) before minority interest and taxes	(1,412,137)	581,159
Minority interest	<u>(297,860)</u>	<u>81,802</u>
Income (loss) before taxes	(1,709,997)	662,961
Taxes on income	<u>426,105</u>	<u>(2,265)</u>
Net income (loss)	<u>\$ (1,283,892)</u>	<u>\$ 660,696</u>
Basic net profit (loss) per share	<u>\$ (0.109)</u>	<u>\$ 0.065</u>
Diluted net profit (loss) per share	<u>\$ (0.109)</u>	<u>\$ 0.065</u>
Weighted average number of shares used for computing:		
Basic profit (loss) per share	<u>11,777,645</u>	<u>10,135,874</u>
Diluted profit (loss) per share	<u>11,779,390</u>	<u>10,135,874</u>

