

Xfone, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF OPERATIONS (unaudited)

	Three months ended	
	March 31,	
	2007	2006
Revenues	\$ 11,523,716	\$ 7,841,245
Cost of revenues	5,193,222	4,996,843
Gross profit	6,330,494	2,844,402
Operating expenses:		
Research and development	15,778	9,799
Marketing and selling	2,731,976	679,751
General and administrative	2,921,291	2,006,267
Total operating expenses	5,669,045	2,695,817
Operating profit (loss)	661,449	148,585
Financing expenses, net	(139,869)	(136,696)
Equity in income of affiliated company	79,136	89,567
Profit (loss) from a change of holding of affiliated company	0	(51,995)
Other income	34,505	10,764
Income (loss) before minority interest and taxes	635,221	60,225
Minority interest	(92,135)	20,392
Income before taxes	543,086	80,617
Taxes on income	(98,691)	30,678
Net income	\$ 444,395	\$ 111,295
Basic net profit per share	\$ 0.039	\$ 0.014
Diluted net profit per share	\$ 0.039	\$ 0.013
Weighted average number of shares used for computing:		
Basic profit per share	11,479,609	8,195,968
Diluted profit per share	11,479,609	8,770,680

Reconciliation of Non-GAAP Financial Measures*

Net income/loss	\$ 444,395	\$ 111,295
Depreciation and amortization	254,998	189,284
Financing expenses, net	139,869	136,696
Equity in income of affiliated company	(79,136)	(89,567)
Loss from a change of holding of affiliated company	-	51,995
Other income	(34,505)	(10,764)
Minority interest	92,135	(20,392)
Taxes on income	<u>98,691</u>	<u>(30,678)</u>
EBITDA*	<u>\$ 916,447</u>	<u>\$ 337,869</u>

* This release contains disclosure of EBITDA, which is a non-GAAP financial measure. The definition of EBITDA used to calculate the EBITDA figures presented herein, while considered to be a common definition used by investors and financial analysts, may not be comparable to similarly titled measures reported by other companies. The Company believes that EBITDA provides an important additional perspective on its operations. The Company's management regularly evaluates its progress based on EBITDA. The Company believes that EBITDA, while providing useful information, should not be considered in isolation or as an alternative to other financial measures determined under GAAP, such as net income or loss (as an indicator of operating performance) or cash flow (as a measure of liquidity).