

**Xfone, Inc. and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Unaudited)

	Six months ended June 30,		Three months ended June 30,	
	2009	2008	2009	2008
Revenues	\$ 42,894,708	\$ 41,645,820	\$ 21,420,273	\$ 25,852,722
Cost of revenues	23,064,098	21,017,261	11,285,641	13,360,988
Non-recurring loss from distribution of calling cards in Israel	506,176	-	506,176	-
Gross profit	<u>19,324,434</u>	<u>20,628,559</u>	<u>9,628,456</u>	<u>12,491,734</u>
<b>Operating expenses:</b>				
Research and development	23,837	32,580	12,379	17,570
Marketing and selling	5,442,090	6,138,804	2,727,480	3,473,175
General and administrative	12,281,048	11,415,388	6,277,511	7,103,668
Total operating expenses	<u>17,746,975</u>	<u>17,586,772</u>	<u>9,017,370</u>	<u>10,594,413</u>
Operating profit	1,577,459	3,041,787	611,086	1,897,321
Financing expenses, net	<u>(1,198,448)</u>	<u>(3,995,580)</u>	<u>(2,660,520)</u>	<u>(3,092,411)</u>
Income (loss) before taxes	379,011	(953,793)	(2,049,434)	(1,195,090)
Income tax expense (benefit)	<u>42,989</u>	<u>250,624</u>	<u>47,541</u>	<u>328,317</u>
Net income (loss)	336,022	(703,169)	(2,001,893)	(866,773)
Less: Net income (loss) attributable to non-controlling interest	<u>119,162</u>	<u>(179,059)</u>	<u>138,716</u>	<u>(96,585)</u>
Net income (loss) attributed to Xfone Inc. ordinary shareholders	<u>\$ 455,184</u>	<u>\$ (882,228)</u>	<u>\$ (1,863,177)</u>	<u>\$ (963,358)</u>
<b>Earnings (loss) attributable to Xfone Inc. ordinary shareholders per share:</b>				
Basic and diluted	<u>\$ 0.025</u>	<u>\$ (0.052)</u>	<u>\$ (0.101)</u>	<u>\$ (0.052)</u>
<b>Weighted average shares outstanding:</b>				
Basic and diluted	<u>18,376,075</u>	<u>16,864,161</u>	<u>18,376,075</u>	<u>18,404,632</u>

**Reconciliation of Non-GAAP Financial Measures\***

	<b>Six months ended</b>		<b>Three months ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Net income (loss) attributed to Xfone Inc. ordinary shareholders	<u>\$ 455,184</u>	<u>\$ (882,228)</u>	<u>\$ (1,863,177)</u>	<u>\$ (963,358)</u>
Non-recurring loss from distribution of calling cards in Israel	506,176	-	506,176	-
Depreciation and amortization	1,922,084	1,747,552	936,915	1,240,342
Financing expenses, net	1,198,448	3,995,580	2,660,520	3,092,411
Net income (loss) attributable to non-	(119,162)	179,059	(138,716)	96,585
Taxes on income	<u>42,989</u>	<u>(250,624)</u>	<u>(47,541)</u>	<u>(328,317)</u>
Adjusted EBITDA*	<u>4,005,719</u>	<u>4,789,339</u>	<u>2,054,177</u>	<u>3,137,663</u>