

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

	Nine months ended September 30,		Three months ended September 30,	
	2008	2007	2008	2007
Revenues	\$ 67,608,521	\$ 35,298,441	\$ 25,962,701	\$ 12,144,91
Cost of revenues	34,536,276	15,232,960	13,519,015	4,909,717
Gross profit	33,072,245	20,065,481	12,443,686	7,235,202
<b>Operating expenses:</b>				
Research and development	47,519	38,245	14,939	6,449
Marketing and selling	9,517,132	8,598,893	3,378,328	3,124,387
General and administrative	18,506,824	9,102,552	7,091,436	3,255,822
Non- recurring loss	189,610	-	189,610	-
Total operating expenses	28,261,085	17,739,690	10,674,313	6,386,658
Operating profit	4,811,160	2,325,791	1,769,373	848,544
Financing expenses, net	(5,031,403)	(380,347)	(1,035,823)	(73,652)
Equity profit in income of affiliated company	-	132,868	-	20,283
Income (loss) before minority interest and	(220,243)	2,078,312	733,550	795,175
Minority interest	(194,960)	(218,138)	(15,901)	(45,007)
Income (loss) before taxes	(415,203)	1,860,174	717,649	750,168
Income tax expense (benefit)	170,614	(438,873)	(80,010)	(184,701)
Net income (loss)	\$ (244,589)	\$ 1,421,301	\$ 637,639	\$ 565,467
<b>Earnings (Loss) Per Share:</b>				
Basic	\$ (0.014)	\$ 0.124	\$ 0.035	\$ 0.049
Diluted	\$ (0.014)	\$ 0.124	\$ 0.035	\$ 0.049
<b>Weighted average shares outstanding:</b>				
Basic	17,371,811	11,495,871	18,376,075	11,528,181
Diluted	17,371,811	11,495,871	18,390,518	11,528,181

## Reconciliation of Non-GAAP Financial Measures\*

Net income (loss)	\$ (244,589)	\$ 1,421,301	\$ 637,639	\$ 565,467
Depreciation and amortization	3,004,635	823,384	1,257,083	296,696
Non- recurring loss	189,610	-	189,610	-
Financing expenses, net	5,031,403	380,347	1,035,823	73,652
Equity in income of affiliated company	-	132,868	-	20,283
Minority interest	194,960	218,138	15,901	45,007
Income tax expense (benefit)	(170,614)	438,873	80,010	184,701
EBITDA*	\$ 8,005,405	\$ 3,414,911	\$ 3,216,066	\$ 1,185,806