

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

	Nine months ended September 30,		Three months ended September 30,	
	2009	2008	2009	2008
Revenues	\$ 64,228,176	\$ 67,608,521	\$ 21,333,468	\$ 25,962,701
Cost of revenues	34,189,233	34,536,276	11,125,135	13,519,015
Non-recurring loss from distribution of calling cards in Israel	506,176	-	-	-
Gross profit	<u>29,532,767</u>	<u>33,072,245</u>	<u>10,208,333</u>	<u>12,443,68</u>
Operating expenses:				
Research and development	36,995	47,519	13,158	14,939
Marketing and selling	8,004,161	9,517,132	2,562,071	3,378,328
General and administrative	18,783,993	18,506,824	6,502,945	7,091,436
Non- recurring loss	-	189,610	-	189,610
Total operating expenses	<u>26,825,149</u>	<u>28,261,085</u>	<u>9,078,174</u>	<u>10,674,313</u>
Operating profit	2,707,618	4,811,160	1,130,159	1,769,373
Financing expenses, net	(3,676,813)	(5,031,403)	(2,478,365)	(1,035,823)
Other expenses	<u>(330,488)</u>	<u>(279,499)</u>	<u>(133,862)</u>	<u>(123,694)</u>
Income (loss) before taxes	(1,299,683)	(499,742)	(1,482,068)	609,856
Tax (expense) benefit	<u>(14,042)</u>	<u>450,113</u>	<u>(167,679)</u>	<u>43,684</u>
Net income (loss)	\$ (1,313,725)	\$ (49,629)	\$ (1,649,747)	\$ 653,540
Less: Net income (loss) attributable to non-	(81,318)	194,960	37,844	15,901
Net income (loss) attributed to shareholders	<u>\$ (1,232,407)</u>	<u>\$ (244,589)</u>	<u>\$ (1,687,591)</u>	<u>\$ 637,639</u>
Earnings (loss) per share:				
Basic	<u>\$ (0.067)</u>	<u>\$ (0.014)</u>	<u>\$ (0.092)</u>	<u>\$ 0.035</u>
Diluted	<u>\$ (0.067)</u>	<u>\$ (0.014)</u>	<u>\$ (0.092)</u>	<u>\$ 0.035</u>
Weighted average shares outstanding:				
Basic	<u>18,376,075</u>	<u>17,371,811</u>	<u>18,376,075</u>	<u>18,376,075</u>
Diluted	<u>18,376,075</u>	<u>17,371,811</u>	<u>18,376,075</u>	<u>18,390,518</u>

Reconciliation of Non-GAAP Financial Measures*

	Nine months ended		Three months ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Net income (loss) attributed shareholders	<u>\$ (1,232,407)</u>	<u>\$ (244,589)</u>	<u>\$ (1,687,591)</u>	<u>\$ 637,639</u>
Non-recurring loss	506,176	189,610	-	189,610
Depreciation and amortization	3,085,605	3,004,635	1,163,521	1,257,083
Financing expenses, net	3,676,813	5,031,403	2,478,365	1,035,823
Other expenses	330,488	279,499	133,862	123,694
Net income (loss) attributable to non-controlling interest	(81,318)	194,960	37,844	15,901
Tax (expense) benefit	<u>14,042</u>	<u>(450,113)</u>	<u>167,679</u>	<u>(43,684)</u>
EBITDA*	<u>6,299,399</u>	<u>8,005,405</u>	<u>2,293,680</u>	<u>3,216,066</u>