

Xfone, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31,		Three months ended December 31,	
	2008	2007	2008	2007
Revenues	\$ 90,338,980	\$ 44,723,934	\$ 22,730,459	\$ 9,425,493
Cost of revenues	47,132,313	19,626,322	12,596,036	4,393,362
Gross profit	43,206,667	25,097,612	10,134,423	5,032,131
Operating expenses:				
Research and development	60,094	47,609	12,575	9,364
Marketing and selling	12,422,391	10,886,883	2,905,259	2,287,991
General and administrative	25,720,376	12,335,759	7,213,547	3,233,207
Non- recurring loss	189,610	2,856,803	-	2,856,803
Total operating expenses	38,392,471	26,127,054	10,131,381	8,387,365
Operating profit (loss)	4,814,196	(1,029,442)	3,042	(3,355,234)
Financing income (expenses), net	(2,862,132)	(515,562)	2,169,271	(135,216)
Equity profit in income of affiliated company	-	132,867	-	-
Income (loss) before minority interest and	1,952,064	(1,412,137)	2,172,313	(3,490,450)
Minority interest	(221,985)	(297,860)	(27,025)	(79,722)
Income (loss) before taxes	1,730,079	(1,709,997)	2,145,288	(3,570,172)
Income tax benefit	317,158	426,105	146,554	864,979
Net income (loss)	\$ 2,047,237	\$ (1,283,892)	\$ 2,291,842	\$ (2,705,193)
Earnings (Loss) Per Share:				
Basic and Diluted	\$ 0.12	\$ (0.11)	\$ 0.125	\$ (0.197)
Weighted average shares outstanding:				
Basic and Diluted	17,624,249	11,777,645	18,376,075	13,742,160

	Year ended		Three months ended	
	December 31,		December 31,	
	2008	2007	2008	2007
Reconciliation of Non-GAAP Financial Measures*				
Net income (loss)	\$ 2,047,237	\$ (1,283,892)	\$ 2,291,842	\$ (2,705,19)
Depreciation and amortization	3,979,915	1,211,798	975,280	388,414
Non- recurring loss	189,610	2,856,803	-	2,856,803
Financing expenses, net	2,862,132	515,562	(2,169,271)	135,216
Equity in income of affiliated company	-	(132,867)	-	-
Minority interest	221,985	297,860	27,025	79,722
Income tax benefit	(317,158)	(426,105)	(146,554)	(864,979)
EBITDA*	\$ 8,983,721	\$ 3,039,159	\$ 978,322	\$ (110,017)