

Xfone Inc. and Subsidiaries
Consolidated Statement of Operations

	Years Ended December 31,	
	2009	2008
Revenues	\$ 85,029,883	\$ 90,338,980
Cost of revenues	45,067,148	47,132,313
Non – recurring loss from distribution of calling cards in Israel	506,176	-
Gross profit	39,456,559	43,206,667
Operating expenses:		
Research and development	53,754	60,094
Marketing and selling	10,465,908	12,422,391
General and administrative	25,238,174	25,720,376
Non- recurring loss	21,441,485	189,610
Total operating expenses	57,199,321	38,392,471
Operating profit (loss)	(17,742,762)	4,814,196
Financing expenses, net	(4,110,043)	(2,862,132)
Other expenses	(475,531)	(296,719)
Income (loss) before taxes	(22,328,336)	1,655,345
Tax benefit	169,774	613,879
Net income (loss)	(22,158,562)	2,269,222
Less: Net income (loss) attributed to non-controlling interest	(20,870)	(221,985)
Net income (loss) attributed to shareholders	\$ (22,179,432)	\$ 2,047,237
Basic and diluted net income (loss) per share	\$ (1.207)	\$ 0.116
Weighted average number of shares used for computing		
Basic and diluted income (loss) per share	18,376,075	17,624,249

Reconciliation of Non-GAAP Financial Measures*:

	Years Ended	
	December 31,	
	2009	2008
Net income (loss) attributed to shareholders	<u>\$ (22,179,432)</u>	<u>\$ 2,047,237</u>
Non- recurring loss	21,947,661	189,610
Depreciation and amortization	4,335,820	3,979,915
Financing expenses, net	4,110,043	2,862,132
Other expenses	475,531	296,719
Net (income) attributed to non-controlling interest	20,870	221,985
Tax benefit	<u>(169,774)</u>	<u>(613,879)</u>
EBITDA	<u>\$ 8,540,719</u>	<u>\$ 8,983,719</u>