

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

	Six months ended June 30,		Three months ended June 30,	
	2008	2007	2008	2007
Revenues	\$ 41,645,820	\$ 23,153,522	\$ 25,852,722	\$ 11,629,806
Cost of revenues	21,017,261	10,323,243	13,360,988	5,130,021
Gross profit	20,628,559	12,830,279	12,491,734	6,499,785
<b>Operating expenses:</b>				
Research and development	32,580	31,796	17,570	16,018
Marketing and selling	6,138,804	5,474,506	3,473,175	2,742,530
General and administrative	11,415,388	5,846,730	7,103,668	2,959,944
Total operating expenses	17,586,772	11,353,032	10,594,413	5,718,492
Operating profit	3,041,787	1,477,247	1,897,321	781,293
Financing expenses, net	(3,995,580)	(306,695)	(3,092,411)	(166,826)
Equity profit in income of affiliated company	-	112,585	-	33,449
Income (loss) before minority interest and taxes	(953,793)	1,283,137	(1,195,090)	647,916
Minority interest	(179,059)	(173,131)	(96,585)	(80,996)
Income (loss) before taxes	(1,132,852)	1,110,006	(1,291,675)	566,920
Tax benefits (expense)	250,624	(254,172)	328,317	(155,481)
Net income (loss)	\$ (882,228)	\$ 855,834	\$ (963,358)	\$ 411,439
<b>Earnings (Loss) Per Share:</b>				
Basic	\$ (0.052)	\$ 0.075	\$ (0.052)	\$ 0.036
Diluted	\$ (0.052)	\$ 0.075	\$ (0.052)	\$ 0.036
<b>Weighted average shares outstanding:</b>				
Basic	16,864,161	11,481,080	18,404,632	11,521,916
Diluted	16,864,161	11,481,080	18,404,632	11,531,220

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

Net income	\$ (882,228)	\$ 855,834	\$ (963,358)	\$ 411,439
Depreciation and amortization	1,747,552	526,688	1,240,342	271,690
Financing expenses, net	3,995,580	306,695	3,092,411	166,826
Equity in income of affiliated company		(112,585)		(33,449)
Minority interest	179,059	173,131	96,585	80,996
Taxes on income	<u>(250,624)</u>	<u>254,172</u>	<u>(328,317)</u>	<u>155,481</u>
EBITDA*	<u>\$ 4,789,339</u>	<u>\$2,003,935</u>	<u>\$ 3,137,663</u>	<u>\$1,052,983</u>