

Xfone, Inc. and Subsidiaries
PRO FORMA BALANCE SHEETS
DECEMBER 31, 2007
(Unaudited)

	Xfone, Inc.	NTS Communications	Pro forma adjustments	Pro form Consolidated
CURRENT ASSETS:				
Cash	\$ 5,835,608	\$ 7,976,454	(3,249,373)	\$ 10,562,689
Restricted cash	25,562,032	-	(25,562,032)	-
Account Receivables, net	5,886,499	3,836,531		9,723,030
Prepaid expenses and other receivables	3,985,307	1,536,433	(273,510)	5,795,250
Inventory	-	562,995		562,995
Total current assets	41,269,446	13,912,413		26,643,964
INVESTMENTS	-	5,791	-	5,791
MINORITY INTEREST	7,190	-	-	7,190
LONG TERM LIABILITIES	2,076,061	-	-	2,076,061
FIXED ASSETS, NET	5,747,758	29,265,524	3,020,281	38,033,563
OTHER ASSETS, NET	17,948,872	4,431,905	12,107,122	34,487,899
Total Assets	\$ 67,049,327	\$ 47,615,633		\$ 101,254,468
CURRENT LIABILITIES				
Notes payables – current portion	\$ 1,094,339	\$ 502,309		\$ 1,596,648
Trade Payables	8,287,420	2,670,852		10,958,272
Other liabilities and accrued expenses	5,322,045	3,530,193	1,200,000 (f)	10,052,238
Current maturities of obligations under leases	89,654	-		89,654
Bonds – current portion	3,268,476	-	1,953,910	5,222,386
Total current liabilities	18,061,934	6,703,354		27,919,198
DEFERRED TAXES	1,103	1,416,612	(1,417,715)	-
NOTES PAYABLE	1,013,808	2,745,867		3,759,675
OBLIGATIONS UNDER CAPITAL LEASES	31,893	-		31,893

BONDS	22,083,892	-		22,083,892
SEVERANCE PAY	148,600	-		148,600
Total liabilities	41,341,230	10,865,833		53,943,258
	25,708,097	36,749,800	(15,146,687)	47,311,210
TOTAL SHAREHOLDERS' EQUITY			(h)	
Total liabilities and shareholders' equity	<u>\$ 67,049,327</u>	<u>\$ 47,615,633</u>		<u>\$ 101,254,468</u>

- (a). Net change in cash and cash equivalents includes:
 - 1. Proceeds from issuance of bonds of \$25.6m that as of December 31, 2007 was held as restricted cash in an escrow account.
 - 2. Issuance of shares and warrants to XFN-RLSI Investments, LLC and certain investors affiliated with or who are customers of Gagnon Securities LLC. The issuance was consummated during February 2008 for total proceeds of \$8,060,000.
 - 3. Amounts paid in cash to certain shareholders of NTS Communications Inc. ("NTS") and acquisition costs paid in cash.
 - 4. Adjustment of distribution of dividends to the former shareholders of NTS during 2007 in the amount of approximately \$3ms.
- (b). Classification of proceeds from issuance of bonds to cash and cash equivalents as part of closing the acquisition of NTS.
- (c). Deferred tax liability in connection with interest and depreciation expenses.
- (d). Adjustment of depreciation expenses in NTS to the estimated useful life of the assets.
- (e). Record of intangible assets according to the Purchase Price Allocation that was prepared by the Xfone. Third party valuation will be completed within short time.
- (f). Record of accrued expenses in relation to acquisition costs.
- (g). Record of interest payable to bonds holders in 2007 as if the bonds were issued on January 1, 2007.
- (h). Adjustment of shareholders' equity includes:
 - 1. Elimination of equity in NTS;
 - 2. Issuance of common stock in connection with the acquisition financing (as indicated in section (a)2 above);
 - 3. Issuance of common stock and warrants to NTS senior managements; and
 - 4. Adjustment due to distribution of dividends to the former shareholders of NTS Communications Inc. during 2007.