

Net2Phone, Inc.
Condensed Consolidated Statements of Operations
(unaudited)

(All Numbers in 000's except EPS Calculation)

	1Q06 October 31, 2005	1Q05 October 31, 2004	4Q05 July 31, 2005
Revenue	\$ 21,726	\$ 20,309	\$ 20,817
Direct cost of revenue	12,608	11,720	12,219
Selling, general and administrative ^	15,466	13,378	15,795
Depreciation and amortization	2,183	1,894	2,141
Non-cash services provided by IDT	(283)	1,459	819
Restructuring, severance, impairment and other items	(585)	878	468
Total cost and expense	29,389	29,329	31,442
Miscellaneous Income	313		509
Loss from operations	\$ (7,350)	\$ (9,020)	\$ (10,116)
Interest income, net	244	622	411
Other Income (loss)	(103)	155	72
Net loss	\$ (7,209)	\$ (8,243)	\$ (9,633)
Net loss per common share-basic and diluted	\$ (0.09)	\$ (0.11)	\$ (0.13)
Weighted Average number of common shares used in the calculation of basic and diluted net loss per common share	76,664	77,028	76,345
Cash, cash equivalents and marketable securities*	\$ 89,009	\$ 125,846	\$ 98,024
Fixed assets (net)	23,817	19,626	22,805
Total assets	137,174	160,534	141,830
Total Stockholders' Equity	91,055	123,758	95,619

^ Includes non-cash compensation of \$1,677; \$683; \$1,035, respectively

* Includes restricted cash of \$20,428; \$21,281; \$20,428, respectively

Net loss	\$ (7,209)	\$ (8,243)	\$ (9,633)
EXCLUDING			
Inventory obsolescence expense	(9)	-	(11)
Non-recurring SG&A expense	(328)	-	(1,213)
Depreciation and amortization	(2,183)	(1,894)	(2,141)
Non-cash compensation	(1,677)	(683)	(1,035)
Non-cash services provided by IDT	283	(1,459)	(819)
Restructuring, severance, impairment and other items	585	(878)	(468)
Interest income, net	244	622	411
Other Income (loss)	(103)	155	72
Net loss before special and non-cash items	\$ (4,021)	\$ (4,106)	\$ (4,429)

Revenue by distribution channel

The following table summarizes Net2Phone's revenue by business channel:

International Reseller	12,424	10,025	11,223
Cable	1,464	331	1,322
Consumer	5,969	6,190	6,014
Carrier	1,869	3,763	2,258
Consolidated Total	\$ 21,726	\$ 20,309	\$ 20,817