



FOR IMMEDIATE RELEASE

30 September 2008

xG Technology, Inc.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

xG Technology Inc, (“xG” or “Company”, LSE-AIM: XGT) the US-based, AIM-listed communications technology business, today announces its unaudited half year results for the six months ended 30 June 2008.

Key points:

- cash and cash equivalents at 30 June 2008 of US\$22,878,000;
- sales of US\$7,500,000;
- operating profit (before interest and share based payments) of US\$2,907,000 for the period;
- profit of US\$46,000 for the period;
- continued development of the TX-60 handset;
- transition to the BSN-250 base station series;
- release of the xDrive coverage area mapping kit;
- refinement of the xMax network architecture;
- further technology enhancements supporting the xG mobile VoIP application;
- additional patent filing activity, bringing the patent portfolio to 9 granted and 35 pending applications and invention disclosures (12 specific to the xG VoIP service); and
- appointment of ING Bank, N.V. as Nominated Adviser and Financial Adviser to the Company.

Following the end of the period, the Company was delighted to announce the receipt of an order for 1,000 of its BSN-250 base stations for a total order value of US\$75,000,000. The order also included an option for the delivery of a further 4,000 base stations, having an additional order value of US\$300,000,000. It should also be noted that since 30 June 2008, xG has collected cash of more than US\$6,000,000 on orders of base stations.

On the Company’s outlook, Richard Mooers, Chairman and Chief Executive Officer, stated:

“The progress made during the first half of 2008 illustrates that xG remains firmly on course towards achieving its strategic objectives. In the near term, the upcoming launch of our BSN-250 base station and TX-60 handset will showcase the inherent advantages of xG’s proprietary physical layer technology. This is expected to herald significant changes in the building of broadband wireless networks, leading to growing numbers of xMax-branded mobile and fixed VoIP and broadband deployments. I look forward to reporting to xG shareholders as we make further progress toward our goals.”

CONTACTS

xG Technology, Inc.

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ABOUT XG TECHNOLOGY

Based in Florida, USA, xG Technology, Inc. has developed innovative, patented wireless communications technologies which offer the potential to significantly reduce the required capital investment and operating costs of wireless voice and data communications services. Its mobile VoIP (Voice over Internet Protocol) base station and handset product line - branded as xMax - is intended for use by regional carriers (internet service providers, competitive local exchange carriers and entrepreneurial parties) which seek to deliver mobile Internet Protocol voice and data services directly to consumers without using the incumbent circuit switched or coaxial cable networks. The xMax system provides an extended range of operation and is expected to provide superior handset battery performance. Planned future releases of the xMax product line include integrated video and data applications.

COPIES OF ANNOUNCEMENT

Copies of this announcement will be available from the Company's website (www.xgtechnology.com) and from the offices of its Nominated Adviser, ING Bank N.V., London Branch, 60 London Wall, London EC2M 5TQ.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S STATEMENT

OVERVIEW

The focus of xG Technology, Inc. ("xG" or "Company") during the six month period ending 30 June 2008 has continued to be the production and delivery of products for the xMax mobile VoIP service. This service, the Company's first vertical application using its PHY and MAC layer patents including its proprietary Flash Signal, is on target to be deployed through regional service providers across the US, with the aim of establishing a national brand presence.

Under the support of the newly-designated xMax Authorized Carrier Partner Program, service providers have a unique opportunity to become competitive facilities-based communications carriers, as xG provides them with an incumbent-free, all-IP network solution using the license-free ISM band spectrum. This represents a compelling technology-driven business case for carriers and was a key factor in the increase in new partners and market opportunities that xG experienced over the first half of 2008.

As a result of advances made in its product and technology development during the interim period, xG is well positioned to monetize the considerable opportunities available from its anticipated fixed, low-price, unlimited calling service. In rolling out this service with the new BSN-250 base station and TX-60 handset, the Company is expected to enter the market with a solid product offering from the outset, coupled with a demonstrable roadmap to future 4G applications and devices with its own patented battery solution.

In the first half of this year, there were a number of announcements from wireless carriers about the future migration of their networks to 4G-level standards. This process is expected to be characterized by large costs and long deployment cycles. In today's challenging capital markets, financing such expensive endeavours has become ever more difficult. xG continues to offer a powerful alternative to this scenario. The unprecedented economics brought to bear by xG's innovative physical layer technology are expected to make xMax networks cheaper to build, quicker to deploy, and easier to maintain than other transmission systems. This high-margin, low-cost model should allow for impressive savings to be passed on to end-users, which will drive uptake of xMax-branded products and further spread the adoption of other products based on xG's superior technology solution.

HIGHLIGHTS FOR THE PERIOD

During the first half of the year, xG took important steps that will enable the Company to meet its objectives in 2008 and beyond. Significant milestones for the period included:

- transition to the BSN-250 base station series, which will be released concurrently with the TX-60 handset and will be capable of supporting advanced services including 4G applications;
- release of the xDrive (which utilizes the TX-110) and the BSN-200 base station, which allows for fast and efficient mapping of xMax mobile VoIP cell coverage areas;
- additional refinement of the xMax network architecture to allow deployment of a high-availability and modular regional system;
- further technology enhancements made in support of the mobile VoIP application, including enhancements made to the xG-developed protocols (air-interface and MAC), as well as other network-related extensions that will enable increased performance and capacity;
- increased interest in the xMax service from rural and regional service providers, as a result of expanded marketing initiatives to attract new business;
- implementation of the xMax Authorized Carrier Partner Program, which provides a comprehensive template for carriers doing business with xG;
- Cambridge Consultants, Ltd. ("CCL") continued development of the TX-60 handset. Building on their successful concept development phase, CCL was contracted to provide turnkey development, including industrial, electronic and mechanical design, and user interface software, of the xMax mobile handset;
- additional patent filing activity, enhancing the Company's portfolio of intellectual property. The patent portfolio now includes 9 patents granted, and 35 pending applications and invention disclosures. Twelve of these are specific to the Company's VoIP service; and
- appointment of ING Bank, N.V. as Nominated Adviser and Financial Adviser to the Company.

FINANCIAL REVIEW

Building on a strong first quarter, xG recorded sales of US\$7,500,000 for the six months ending 30 June 2008 (US\$250,000 for the same period last year). This represents an increasing demand for xG's products as carriers are anxious to get exclusivity of their desired territories. As operations have increased in order to further the Company's objectives, operating expenses have risen to US\$7,285,000, compared to US\$6,093,000 during the same period last year. Of this amount, US\$3,246,000 related to non-cash stock-based compensation costs (US\$3,786,000 for the same period last year). The Company had a net profit of US\$46,000 for the period (compared to a net loss of US\$5,574,000 in the same period last year).

xG's revenue policy is to recognize sales of goods as those goods are delivered and title has passed. Sales are measured at the fair value of the consideration received or receivable. Given the time frames involved in completely designing, implementing, and deploying RF networks, as well as the current credit market conditions, xG has made the decision to offer extended payment terms on purchases made during the period by its carriers. In this time of unprecedented turbulence in the capital markets, this should allow our carriers substantial flexibility with regard to financing their operations, further allowing them the opportunity to adequately develop their infrastructures prior to product launch. As the Company believes this will result in stronger partners who will be better positioned to insure a successful commercial rollout of xMax services, it feels strongly that this best balances short-term cash collections with long-term shareholder value.

The Company is currently in discussions with various lessors and infrastructure partners that could allow us to help our customers meet their needs in this market environment while also providing cash flow to the Company through purchases of base stations. While the Company feels confident in the strength of our carriers, it has taken steps to protect itself in the event any of its carriers prove unable to abide by the terms of their business agreements with xG. One of the steps available to the Company to enforce the carriers' legally binding obligations is to automatically reclaim the carriers' exclusive territories and equipment, which thus become available for resale to another partner.

During the period, the Company continued to invest in the product development, marketing, and technology sides of the business in preparation for full network launch. This was reflected in US\$3,977,000 of cash used for operating activities as well as US\$6,672,000 of cash used in investing activities. The Company had cash inflows of US\$809,000 from option exercises. The net cash decrease for the period was US\$9,840,000, while the Company ended the period with a strong cash and cash equivalents position of US\$22,878,000.

OUTLOOK

The progress made during the first half of 2008 illustrates that xG remains firmly on course towards achieving its strategic objectives. In the near term, the upcoming launch of our BSN-250 base station and TX-60 handset will showcase the inherent advantages of xG's proprietary physical layer technology. This is expected to herald significant changes in the building of broadband wireless networks, leading to growing numbers of xMax-branded mobile and fixed VoIP and broadband deployments.

Following the end of the period, the Company was delighted to announce the receipt of an order for 1,000 of its BSN-250 base stations for a total order value of US\$75,000,000. The order also included an option for the delivery of a further 4,000 base stations, having an additional order value of US\$300,000,000. Initial deliveries of the base stations are expected during the closing months of 2008 with the majority of the 1,000 base stations order being completed during 2009. This order brings the Company's ambition of delivering the world's first mobile voice and text service over the internet a significant step closer. It should also be noted that since 30 June 2008, xG has collected cash of more than US\$6,000,000 on orders of base stations.

By leveraging its technical and business accomplishments realized to date, xG anticipates building a healthy revenue stream from its share of xMax network traffic revenue in the US over the short to medium term. In addition to enhancing the Company's financial base, this proving of concept within our first vertical market will help create additional opportunities for xG's physical layer technology in wireless and wireline applications both domestically and abroad.

Seizing these opportunities should enable xG to deliver unmatched value for the consumers of its products as well as its business partners, and in doing so, is expected to maximize value for its shareholders.

I look forward to reporting to xG shareholders as we make further progress toward our goals.

RICHARD MOOERS
CHAIRMAN AND CHIEF EXECUTIVE OFFICER
29 September 2008

INDEPENDENT REVIEW REPORT

TO THE SHAREHOLDERS OF XG TECHNOLOGY, INC.

INTRODUCTION

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 which comprises the Income Statement, Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

DIRECTORS' RESPONSIBILITIES

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. As disclosed in note 1, the annual financial statements of the Company are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

OUR RESPONSIBILITY

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Firm of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

CHANTREY VELLACOTT DFK LLP

London

29 September 2008

INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Six months ended 30 June 2008 (unaudited) US\$'000	Six months ended 30 June 2007 (unaudited) US\$'000	Year ended 31 December 2007 (audited) US\$'000
Revenue	7,500	250	250
Cost of sales	(554)	(13)	(14)
Gross profit	6,946	237	236
Administrative expenses	(4,039)	(2,307)	(6,446)
Operating Profit (Loss) before interest and share based payments	2,907	(2,070)	(6,210)
Interest receivable and similar income	385	282	1,256
Profit (Loss) before share based payments	3,292	(1,788)	(4,954)
Share based payments	(3,246)	(3,786)	(7,061)
Profit (Loss) for the period	46	(5,574)	(12,015)
Profit (Loss) per share			
Basic and diluted	US\$0.00	(US\$0.04)	(US\$0.10)

BALANCE SHEET
AS AT 30 JUNE 2008

	30 June 2008 (unaudited) US\$'000	30 June 2007 (unaudited) US\$'000	31 December 2007 (audited) US\$'000
Assets			
Non-current assets			
Intangible fixed assets	28,503	17,021	21,692
Fixtures and equipment	640	95	546
	29,143	17,116	22,238
Current assets			
Trade receivables and other current assets	7,156	3,335	374
Inventory	3,605	-	2,132
Cash and cash equivalents	22,878	41,807	32,718
	33,639	45,142	35,224
Total assets	62,782	62,258	57,462
Current liabilities			
Trade payables and other current liabilities	(2,881)	(3,301)	(1,662)
Net assets	59,901	58,957	55,800
Shareholders' equity			
Share capital	1,317	1,290	1,290
Share premium account	66,703	65,404	65,462
Preferred equity	2,000	2,000	2,000
Other reserve	18,935	13,312	16,385
Accumulated losses	(29,054)	(23,049)	(29,337)
Total equity	59,901	58,957	55,800

Approved by the Board of Directors on 29 September 2008.

Signed on behalf of the board of directors:

ROGER BRANTON
 CHIEF OPERATING OFFICER AND CHIEF FINANCIAL OFFICER

**STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2008**

	Share capital US\$'000	Share premium US\$'000	Preferred equity US\$'000	Other reserves US\$'000	Retained losses US\$'000	Total US\$'000
Balance at 31 December 2006 (audited)	1,224	29,363	-	9,526	(17,475)	22,638
Loss for the period	-	-	-	-	(5,574)	(5,574)
Issue of preferred equity including issue costs	-	(1,975)	40,000	-	-	38,025
Conversion of preferred equity	66	37,934	(38,000)	-	-	-
Exercise of options	-	70	-	-	-	70
Issue of shares for services	-	12	-	-	-	12
Share-based transactions	-	-	-	3,786	-	3,786
Balance at 30 June 2007 (unaudited)	1,290	65,404	2,000	13,312	(23,049)	58,957
Loss for the period	-	-	-	-	(6,441)	(6,441)
Exercise of options	-	58	-	(49)	-	9
Share-based transactions	-	-	-	3,122	153	3,275
Balance at 31 December 2007 (audited)	1,290	65,462	2,000	16,385	(29,337)	55,800
Profit for the period	-	-	-	-	46	46
Exercise of options	27	1241	-	(459)	-	809
Share-based transactions	-	-	-	3,009	237	3,246
Balance at 30 June 2008 (unaudited)	1,317	66,703	2,000	18,935	(29,054)	59,901

Other reserves consist of the cumulative amount attributable to share based transactions.

CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Six months ended 30 June 2008 (unaudited) US\$'000	Six months ended 30 June 2007 (unaudited) US\$'000	Year ended 31 December 2007 (audited) US\$'000
Cash flows from operating activities			
Profit (Loss) for the period	46	(5,574)	(12,015)
Interest received	(385)	(282)	(1,256)
Depreciation	71	36	66
Amortisation	81	18	45
Change in inventory	(1,473)	-	(2,132)
Issue of shares for services	-	12	12
Share based payments:			
Employees	3,065	3,546	6,581
Non-employees	181	240	480
Operating cash flows before movement in working capital	1,586	(2,004)	(8,219)
(Increase) in trade receivables and other current assets	(6,782)	(3,256)	(295)
Increase in trade payables and other current liabilities	1,219	2,529	890
Net cash used in operating activities	(3,977)	(2,731)	(7,624)
Investing activities			
Interest received	385	282	1,256
Purchase of fixtures and equipment	(165)	(57)	(537)
Purchase of intangible assets	(6,892)	(1,798)	(6,497)
Net cash used in investment activities	(6,672)	(1,573)	(5,778)
Financing activities			
Issue of capital (net of issue costs)	809	70	79
Issue of preferred equity (net of issue costs)	-	38,025	38,025
Net cash inflow from financing activities	809	38,095	38,104
Net (decrease)/ increase in cash and cash equivalents	(9,840)	33,791	24,702
Cash and cash equivalents at beginning of period	32,718	8,016	8,016
Cash and cash equivalents at end of period	22,878	41,807	32,718

NOTES TO THE INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2008

1. BASIS OF PRESENTATION

The interim report has been prepared using accounting policies consistent with International Accounting Standard 34, 'Interim Financial Reporting'.

2. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

PROVISIONS

Throughout the year, management considers the carrying value of both debtors and inventory balances. Provisions against both balances are made on the basis of past losses, current trading patterns and anticipated future events.

3. SIGNIFICANT ACCOUNTING POLICIES

The interim report has been prepared on the historical cost basis.

The same accounting policies, presentation and methods of computation are followed in this interim report as were applied in the preparation of the Company's financial statements for the year ended 31 December 2007, except for the additional accounting policies that are to be reflected in the next annual financial statements as follows:

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour costs and an attributable proportion of manufacturing overheads based on normal levels of activity that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow moving or defective items where applicable.

TRADE RECEIVABLES

Trade receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

4. EARNINGS PER SHARE

The calculations of the basic and diluted profit/(loss) per share are based on the following data:

	Six months ended 30 June 2008 (unaudited) US\$'000	Six months ended 30 June 2007 (unaudited) US\$'000	Year ended 31 December 2007 (audited) US\$'000
Profit (Loss) for the period			
Profit (Loss) for the purpose of basic and diluted loss per share	46	(5,574)	(12,015)
Number of shares			
Weighted average number of common shares in issue during the period	129,925,276	124,098,469	126,224,240

There were no dilutive instruments in existence over the period.

5. INTANGIBLE ASSETS

During the period the Company has spent approximately US\$6.9 million on the continued development of the Company's proprietary technologies for use in wired and wireless communications.

6. SHARE CAPITAL

Issued and fully paid	30 June 2008 No.	30 June 2007 No.	31 December 2007 No.
Called up, allotted and fully paid			
Common shares of US\$0.01 each	131,698,234	128,995,963	129,033,000

7. RELATED PARTY TRANSACTIONS

MOOERS BRANTON & CO., INCORPORATED

The Company incurred management fees of US\$480,000 to Mooers Branton & Co. Incorporated ("MBC"), for the six month period ended 30 June 2008, of which US\$60,000 was outstanding at 30 June 2008. MBC agreed to provide certain management and financial services to the Company for a monthly fee of US\$80,000. MBC is beneficially controlled and operated by two of the Company's Directors.

Pursuant to the Management Agreement, MBC provides services to the Company, which include, but are not limited to, financial advice, strategic and financial planning, capital structure analysis and planning, and business development. In addition, the Company will be provided certain office facilities, telephone and back-office administration as well as the services of a full-time office manager and administrator with other part-time assistance from time to time.

WENNBERG INDUSTRIES AB

The Company incurred consultants' fees of US\$15,000 to Wennberg Industries AB for the six month period ended 30 June 2008, of which US\$6,000 was outstanding at 30 June 2008. Wennberg Industries AB is wholly owned by Mats Wennberg, a Director of the Company.