

30 March 2007

xG Technology, Inc.
("xG" or "the Company")

2006 Full Year Results

xG Technology, Inc., (AIM:XGT) the Florida based communications technology business, today announces its full year results for the 12 months ended 31 December 2006.

Highlights:

- Cash and cash equivalents as of 31 December 2006 was \$8,016,000
- Net increase in cash for the year of \$4,537,000
- The Company obtained a listing on the London AIM market on 20 November 2006
- Executed convertible preferred equity agreements of \$120 million
- The establishment of contractual agreements with its domestic target customers to deploy xMax networks in over 130 markets covering 57 million in population
- The first xMax beta network, operated by the Company, is now transmitting over the air in Fort Lauderdale, Florida. This is the final stage of testing before the launch of the second xMax beta network in Daytona Beach, Florida, which will be operated and tested by Far Reach Communications in conjunction with xG
- The Company has recently signed agreements and is in discussions with two large international partners for the exclusive rights to deploy xMax in the United Kingdom and Mexico
- The appointment of James Woodyatt as a Non-executive Director to the xG Technology Board of Directors
- Testing of xMax equipment by an authorized FCC laboratory found it to be compliant with FCC regulations Part 15.249 conducted test requirements. These results showed the xMax signal to meet both conducted power and conducted bandwidth requirements for operation within the unlicensed 900 MHz band under Part 15 of the FCC's rules
- Delivery of initial shipment of xMax handsets and base stations
- Expansion of the Company's Central Engineering facilities and staff

Commenting on today's announcement, Rick Mooers, Chairman & CEO of xG said:

"We are delighted to release our first financial statement since listing on the AIM market in November 2006. The interest in xG continues to grow both in the US and globally and we are now in the final stages of beta testing ahead of our commercial roll-out planned for Q2."

xG is a registered trademark of xG Technology, Inc. under US Trade Mark Registration Number 3039835. xMax is a trademark of xG Technology, Inc.

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ABOUT XG TECHNOLOGY

Based in Florida, USA, xG Technology, Inc. has developed innovative technologies that have the potential to change the building blocks, capabilities and economics of the communications industry. Its patented technologies can be applied to almost any type of communication including voice, data or video in wired or wireless form. The key attractions of the technology include:

- Ability to transmit substantially more information than other technologies operating at similar power
- Low costs of deployment, resulting in significantly reduced network capital expenditures
- Utilization of unlicensed spectrum
- Patented IP

Chairman & Chief Executive Officer's Statement

On behalf of the Board, I am delighted to present the results of the business for the year ended 31 December 2006.

Introduction

Demand in the marketplace for mobile broadband communications has continued to grow. Despite the availability of third generation (3G) wireless technologies, an affordable, low power broadband solution capable of delivering real-time Internet protocol (IP) applications such as video and voice over Internet protocol (VoIP) on a mobile basis does not commercially exist. Specifically, the constraints of range, power and the need for high cost licensed spectrum have made the promise of such networks prohibitively expensive for all but a handful of very large, well financed service providers.

Leveraging its portfolio of innovative technologies, xG Technology has the potential to change the fundamental building blocks, capabilities and economics of the communications industry. Its patented technologies can be applied to almost any type of communication including voice, data or video in wireless or wired form. After years of development and conclusive demonstration of the ability to improve range, reduce power and significantly lower the cost of deploying mobile broadband networks, xG Technology is introducing its Flash Signaling technology into the first of many high profile vertical applications.

As such, xG Technology has designed and manufactured a mobile VoIP network product line. Branded as xMax, the product line is now in the manufacturing and field trial stages. Consisting of a consumer handset, a metropolitan base station and all required networking infrastructure, the xMax product line was designed specifically to allow competitive service providers the ability to deliver services directly to consumers without relying upon incumbent telephone and cable networks.

Seen as the first of many future applications of its core Flash Signaling, the xMax networks are intended to expand from mobile VoIP to offer integrated video and data applications. With extensive technical resources, an experienced management team, adequate capitalization, and world-class strategic partners, xG Technology is well positioned to capitalize on this market opportunity.

The Company chose to strategically debut its Flash Signaling technology within this vertical market specifically because of the limitations in competing wireless applications that have not yet been able to meet the technical challenges of delivering mobile VoIP. Management viewed the opportunity to provide a solution that was tailored specifically for competitive service providers with limited or no access to established copper, cable and cellular networks as both a lucrative and high profile means of ensuring early market validation for its core Flash Signaling technology. The absence of technical substitutes and the high demand demonstrated by network orphaned service providers in the US has allowed xG Technology to structure its xMax product line revenue model so that it receives a percentage of the the recurring service revenue created by all deployed xMax networks.

Operating Performance

xG Technology has a proven track record of delivering on its commitments. In completing many of its contracts with commercial customers the company has consistently produced results on time and on budget that in many cases exceeded expectations.

This practice continued through 2006 with xG Technology achieving considerable business and technical objectives that have positioned the company for optimal sales activity in 2007 and beyond. In addition to its AIM admission 2006 developments included:

- Testing of xMax equipment by an authorized Federal Communications Commission ("FCC") laboratory found it to be compliant with FCC regulations Part 15.249 conducted test requirements. These results showed the xMax signal to meet both conducted power and conducted bandwidth requirements for operation within the unlicensed 900 MHz band under Part 15 of the FCC's rules.
- The development and release of the xG System Simulation Blockset. This kit provides users with the ability to test xG Flash Signaling, the foundation for a new class of communication systems, which includes xMax, the industry's first mobile VoIP product.
- The establishment of contractual agreements with its domestic target customers to deploy xMax networks in over 130 markets covering 57 million in population.
- The appointment of James Woodyatt as a Non-executive Director to the xG Technology Board of Directors.
- The Company has recently signed agreements and is in discussions with two large international partners for the exclusive rights to deploy xMax in the United Kingdom and Mexico.
- Delivery of initial shipment of xMax handsets and base stations.
- Executed convertible preferred equity agreements of \$120 million
- Expansion of the Company's Central Engineering facilities and staff in Florida.

Financial Review

The fiscal year ended December 31, 2006. As the Company continues to grow and invest in its business future, operating expenses have risen by \$7,922,000 from \$3,451,000 to \$11,373,000 increasing the net loss for the fiscal 2006 year to \$11,261,000 from the net loss of \$3,436,000 in fiscal year 2005. The increase in operating expenses was primarily the result of increase in stock-based compensation costs of \$5,742,000, costs associated with AIM admission of \$1,155,000, other general and administrative expenses of \$705,000 and the expansion in the size of the sales and administrative staff of \$320,000.

The Company's liquidity position is \$8,016,000 in cash and cash equivalents at December 31, 2006. The cash used in operating activities during fiscal year 2006 was \$3,180,000. There were cash inflows from financing activities due to issuance of capital of \$9,590,000. Cash used in investing activities of \$1,873,000 included capitalized development costs of \$1,667,000 related to expansion of research staff, increased funding on product development, manufacturing and beta field testing. Net increase in cash for the year was \$4,537,000.

Outlook

xG Technology is focused on leveraging its strong foundation to execute on its market opportunity in the coming year. During the past year, the Company has worked diligently to establish critical resources, including an expanded technology portfolio, a team of technical experts, and expanded facilities. We are confident that this will ensure the Company continues on its path from technology development to providing fully commercialized products in the current financial year. We remain committed to maximizing shareholder value and expect that the groundwork laid in 2006 will yield positive results in 2007, and I look forward to reporting on continued progress of the Company during the course of the year.

Income statement for the year ended 31 December 2006

	Notes	2006 \$'000	2005 \$'000
Administration expenses		<u>(11,373)</u>	<u>(3,451)</u>
Operating loss	2	(11,373)	(3,451)
Interest receivable and similar income		<u>112</u>	<u>15</u>
Loss on ordinary activities before taxation		(11,261)	(3,436)
Taxation		<u>-</u>	<u>-</u>
Loss for the financial year		<u>(11,261)</u>	<u>(3,436)</u>
Loss per share			
Basic		<u>\$(0.09)</u>	<u>\$(0.03)</u>
Diluted		<u>\$(0.09)</u>	<u>\$(0.03)</u>

Balance sheet as at 31 December 2006

	Notes	2006 \$'000	2005 \$'000
Assets			
Non-current assets			
Intangible fixed assets		15,240	13,374
Fixtures and equipment		75	58
		<u>15,315</u>	<u>13,432</u>
Current assets			
Trade and other receivables		79	79
Cash and cash equivalents		8,016	3,479
		<u>8,095</u>	<u>3,558</u>
Total assets		<u>23,410</u>	<u>16,990</u>
Current liabilities			
Trade and other payables		<u>(772)</u>	<u>(76)</u>
Net assets		<u>22,638</u>	<u>16,914</u>
Shareholders' equity			
Share capital	1	1,224	-
Share premium account		29,363	-
Paid in capital	2	-	20,997
Other reserve		9,526	2,131
Retained losses		<u>(17,475)</u>	<u>(6,214)</u>
Total equity		<u>22,638</u>	<u>16,914</u>

Cash flow statement for the year ended 31 December 2006

	2006		2005	
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Loss for the period	(11,261)		(3,436)	
Interest received	(112)		(15)	
Depreciation	68		34	
Amortisation	34		24	
Share based payments:				
Employees	6,085		931	
Non employees	<u>1,310</u>		<u>722</u>	
Operating cash flows before movement in working capital	(3,876)		(1,740)	
Increase/(decrease) in trade and other payables	<u>696</u>		<u>(77)</u>	
Net cash used from operating activities		(3,180)		(1,817)
Investing activities				
Interest received	112		15	
Issue of note receivable	-		(100)	
Purchase of fixtures and equipment	(85)		(36)	
Purchase of intangible assets	<u>(1,900)</u>		<u>(1,259)</u>	
Net cash used by investment activities		(1,873)		(1,380)
Financing activities				
Issue of capital (net of issue costs)	<u>9,590</u>		<u>5,628</u>	
Net cash inflow from financing activities		9,590		5,628
Net increase in cash and cash equivalents		4,537		2,431
Cash and cash equivalents at beginning of year		3,479		1,048
Cash and cash equivalents at end of year		<u>8,016</u>		<u>3,479</u>

xG Technology Inc

Notes to the financial statements

For the year ended 31 December 2006

1. Basis of accounting

The results have been prepared under the historical cost convention, in accordance with International Financial Reporting and Accounting Standards adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation.

The financial information set out in this announcement has been extracted from the annual report and accounts of the Company for the year ended 31 December 2006 upon which the auditor's opinion is unqualified.

2. Loss from operations

Loss from operations has been arrived at after charging:	2006	2005
	\$'000	\$'000
Fees payable to the Company's auditor and their associates for the Company's annual accounts	50	25
Fees payable to the Company's auditor and their associates for corporate finance services	105	-
Depreciation of property, plant, and equipment	68	34
Amortisation	34	24
Equity share based transactions	7,395	1,653
AIM admission costs	1,155	-
Operating lease costs	51	43
Staff costs	415	95

3. Share capital

	2006	2006
	\$'000	No of shares
Authorised:		
Common shares of \$0.01 each	5,000	500,000,000
Called up, allotted and fully paid:		
Common shares of \$0.01 each	1,224	122,364,936

4. Paid in capital

	2005	2005
	\$'000	No of member units
Called up, allotted and fully paid:		
Member units	20,997	118,431,936

Capital issued

For the year ended 31 December 2005

On 31 May 2005, the Company issued 2,410,080 member units under a private placement agreement for cash consideration of \$1.25 each.

On 31 May 2005, the Company issued a further 30,000 member units as part of the private placement.

On 31 October 2005, the Company issued 1,500,000 member units in consideration for advisory services in connection with the private placements during the year.

On 31 October 2005, the Company issued 1,000,000 member units under a private placement agreement for cash consideration of \$2.00 each.

On 31 October 2005, the Company issued 1,000,000 member units on the exercise of 1,000,000 options for cash consideration of \$0.715 each.

For the year ended 31 December 2006

On 31 March 2006, the Company issued 1,763,000 member units under a private placement agreement for cash consideration of \$3.50 each.

On 31 March 2006, the Company issued 420,000 member units on the exercise of 420,000 options for cash consideration of \$1.00 each.

On 8 September 2006, the Company issued 250,000 member units in consideration for advisory services. These were valued using the value of the last private placement of \$3.50 each, which was charged to the income statement in the year.

On 8 November 2006, the Company re-registered as an Inc. At that point each unit of membership converted into a Common share of the Company.

On 19 December 2006, 1,500,000 options were exercised for cash consideration of \$2.00 each.

5. Copies of announcement

Copies of this announcement will be available from the Company's website at www.xgtechnology.com and from the offices of its nominated adviser, Smith & Williamson Corporate Finance Limited, 25 Moorgate, London EC2R 6AY. A copy of the Annual Report & Accounts will be posted to shareholders in due course and will also be made available on the Company's website.