

**BLUEPHOENIX SOLUTIONS LTD.
(AN ISRAELI CORPORATION)**

**CONSOLIDATED BALANCE SHEETS
(in thousands)**

	September 30, 2005	December 31 2004
	<u>Unaudited</u>	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$8,319	\$9,363
Marketable securities	--	177
Accounts receivable:		
Trade	17,895	15,814
Other	<u>2,431</u>	<u>2,567</u>
Total current assets	<u>28,645</u>	<u>27,921</u>
INVESTMENTS	<u>400</u>	--
FIXED ASSETS		
Cost	11,320	10,614
Less - accumulated depreciation	<u>9,103</u>	<u>7,921</u>
Total fixed assets	<u>2,217</u>	<u>2,693</u>
OTHER ASSETS, NET	<u>64,849</u>	<u>60,268</u>
Total assets	<u>\$96,111</u>	<u>\$90,882</u>
 LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term credit from banks and others	\$13,233	\$7,214
Accounts payable and accruals:		
Trade	2,736	4,382
Deferred revenue	4,209	2,583
Other	<u>7,261</u>	<u>7,385</u>
Total current liabilities	<u>27,439</u>	<u>21,564</u>
LONG-TERM LIABILITIES:		
Convertible debentures	4,269	5,149
Accrued severance pay, net	1,294	1,160
Provision for losses in formerly- consolidated subsidiary	1,971	1,971
Loans from banks and others	<u>5,280</u>	<u>7,537</u>
Total long-term liabilities	<u>12,814</u>	<u>15,817</u>
MINORITY INTEREST	<u>4,910</u>	<u>4,870</u>
SHAREHOLDERS' EQUITY	<u>50,948</u>	<u>48,631</u>
Total liabilities and shareholders' equity	<u>\$96,111</u>	<u>\$90,882</u>

BLUEPHOENIX SOLUTIONS LTD.
(AN ISRAELI CORPORATION)

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	Three months ended September 30,		Nine months ended September 30,		Year ended December 31,
	2005	2004	2005	2004	2004
	Unaudited		Unaudited		
Revenues	\$15,005	\$14,333	\$43,504	\$42,643	\$57,186
Cost of revenues	<u>6,368</u>	<u>6,044</u>	<u>18,947</u>	<u>18,046</u>	<u>24,253</u>
Gross profit	8,637	8,289	24,557	24,597	32,933
Software development costs, net	2,158	2,012	5,916	6,073	8,055
Selling, general and administrative expenses	<u>5,309</u>	<u>5,225</u>	<u>15,361</u>	<u>14,809</u>	<u>19,981</u>
	1,170	1,052	3,280	3,715	4,897
Depreciation	299	340	876	1,035	1,407
Operating income	<u>871</u>	<u>712</u>	<u>2,404</u>	<u>2,680</u>	<u>3,490</u>
Financial expenses, net	(290)	(369)	(1,521)	(928)	(882)
Other income, net	(10)	704	97	1,087	1,087
Income before taxes	571	1,047	980	2,839	3,695
Taxes on income	<u>3</u>	<u>--</u>	<u>3</u>	<u>5</u>	<u>260</u>
	568	1,047	977	2,834	3,435
Minority interest	(83)	(604)	3	(196)	(73)
Equity in losses of affiliated companies	<u>--</u>	<u>(106)</u>	<u>--</u>	<u>(424)</u>	<u>(516)</u>
Net income	<u>485</u>	<u>337</u>	<u>980</u>	<u>2,214</u>	<u>2,846</u>
Basic earnings per share	<u>0.04</u>	<u>0.02</u>	<u>0.07</u>	<u>0.16</u>	<u>0.21</u>
Diluted earnings per share	<u>0.04</u>	<u>0.02</u>	<u>0.07</u>	<u>0.16</u>	<u>0.21</u>
Common shares outstanding	<u>13,579</u>	<u>13,525</u>	<u>13,568</u>	<u>13,519</u>	<u>13,523</u>
Common shares assuming dilution	<u>14,933</u>	<u>14,836</u>	<u>14,951</u>	<u>14,713</u>	<u>14,679</u>