

BLUEPHOENIX SOLUTIONS LTD.
 (AN ISRAELI CORPORATION)
 CONSOLIDATED STATEMENTS OF OPERATIONS
 (in thousands, except per share amounts)

	Three months ended March 31,	2005	Year ended December 31,
	2006 Unaudited		2005
Revenues	\$16,029	\$14,101	\$58,947
Cost of revenues	6,683	6,072	25,379
Gross profit	9,346	8,029	33,568
Software development costs, net	2,197	1,931	8,006
Selling, general and administrative expenses	5,246	4,976	20,553
	1,903	1,122	5,009
Depreciation	194	307	1,058
Operating income	1,709	815	3,951
Financial expenses, net	(773)	(658)	(1,978)
Other income, net	14	31	104
Income before taxes	950	188	2,077
Taxes on income	45	--	149
	905	188	1,928
Minority interest	44	121	(139)
Net income	949	309	1,789
Adjusted Net income(*)	1,229	516	2,345
Basic earnings per share	0.07	0.02	0.13
Diluted earnings per share	0.07	0.02	0.13
Adjusted Diluted earnings per share(*)	0.09	0.05	0.17
Common shares outstanding	13,699	13,554	13,557
Common shares assuming dilution	14,122	14,966	13,960

(*)excluding noncash financial expenses mainly related to the convertible debentures

BLUEPHOENIX SOLUTIONS LTD.
(AN ISRAELI CORPORATION)

CONSOLIDATED BALANCE SHEETS
(in thousands)

	March 31 2006 Unaudited	December 31 2005
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$14,029	\$10,791
Accounts receivable:		
Trade	18,789	18,143
Other	3,144	2,495
Total current assets	35,962	31,429
INVESTMENTS	--	370
FIXED ASSETS		
Cost	11,531	11,465
Less - accumulated depreciation	9,510	9,305
Total fixed assets	2,021	2,160
OTHER ASSETS, NET	69,930	65,732
Total assets	\$107,913	\$99,691
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term credit from banks and others	\$4,689	\$14,095
Accounts payable and accruals:		
Trade	3,149	3,088
Deffered revenue	3,719	2,776
Other	8,404	6,924
Total current liabilities	19,961	26,883
LONG-TERM LIABILITIES:		
Convettible debentures	18,688	4,342
Accrued severance pay, net	1,318	1,309
Provision for losses in formerly-consolidated subsidiary	1,971	1,971
Loans from banks and others	7,048	8,389
Total long-term liabilities	29,025	16,011
MINORITY INTEREST	4,987	5,031
SHAREHOLDERS' EQUITY	53,940	51,766
Total liabilities and shareholders' equity	\$107,913	\$99,691