

Consolidated Balance Sheets (US Dollars in Thousands)

	Sep 30, 2006 (Unaudited)	December 31, 2005
Assets		
Current assets		
Cash and cash equivalents	\$7,651	\$9,116
Short term deposits	168	368
Short term marketable securities	4,403	4,381
	12,222	13,865
Accounts receivables		
Trade receivables	12,943	14,572
Other receivables and prepaid expenses	2,911	2,832
Inventory	228	400
	28,304	31,669
<i>Total current assets</i>		
Severance pay fund	2,038	2,135
Long term deposits	619	805
Investments in affiliated companies	218	198
Fixed assets, net	6,588	6,955
Goodwill	21,749	20,762
Other assets, net	11,101	11,199
	\$70,617	\$73,723
<i>Total assets</i>		
Liabilities		
Current liabilities		
Short-term bank debt	\$4,364	\$4,183
Trade payables	3,157	3,319
Accrued expenses and other liabilities	12,670	10,696
Total current liabilities	20,191	18,198
Long-term loans	290	165
Accrued severance pay	2,360	2,527
Minority interests	96	528
Shareholders' equity		
Share capital	832	829
Capital surplus	104,967	104,558
Treasury stock	(6,773)	(6,772)
Accumulated deficit	(51,346)	(46,310)
Total shareholders' equity	\$47,680	\$52,305
Total liabilities and shareholders' equity	\$70,617	\$73,723

Unaudited Consolidated Statement of Operations
(US Dollars in Thousands)

	Three Months ended Sep 30,		Nine Months ended Sep 30,	
	2006	2005	2006	2005
Revenues				
Software sales	\$3,449	\$3,798	\$12,226	\$13,076
Applications	1,484	2,196	4,666	6,297
Maintenance and support	3,870	3,607	11,204	11,010
Consultancy & other services	6,314	5,167	17,440	15,590
Total Revenues	\$15,117	\$14,768	\$45,536	\$45,973
Cost of Revenues				
Software sales	\$1,260	\$1,042	\$3,071	\$3,076
Applications	815	1,145	2,432	2,804
Maintenance and support	807	585	2,717	2,198
Consultancy & other services	4,430	3,729	12,959	11,346
Total Cost of Revenues	\$7,312	\$6,501	21,179	19,424
Gross Profit	\$7,805	\$8,267	\$24,357	\$26,549
Research & development, net	1,338	826	3,114	2,833
Sales, marketing, and general & administrative expenses	7,532	8,240	22,952	24,953
Depreciation	454	418	1,361	1,306
Restructuring expenses	2,125	-	2,125	-
Operating loss	(\$3,644)	(\$1,217)	(\$5,195)	(\$2,543)
Financial income (expenses), net	191	(252)	286	(620)
Other income	-	-	-	1,169
Loss before taxes	(3,453)	(1,469)	(4,909)	(1,994)
Taxes on income	55	143	241	503
Loss before minority interests	(3,508)	(1,612)	(5,150)	(2,497)
Minority interests in income of subsidiaries	26	(29)	94	(192)
Equity gain (loss)	(49)	21	20	72
Net Loss	(\$3,531)	(\$1,620)	(\$5,036)	(\$2,617)
Basic and Diluted loss per Share	(\$0.11)	(\$0.05)	(\$0.16)	(\$0.08)
Basic and Diluted Weighted Avg. Shares Outstanding (000)	31,210	30,989	31,150	31,098