

BLUEPHOENIX SOLUTIONS LTD.  
(AN ISRAELI CORPORATION)

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

	Three months ended		Year ended	
	December 31,		December 31,	
	2005	2004	2005	2004
	Unaudited			
Revenues	\$15,443	\$14,543	\$58,947	\$57,186
Cost of revenues	6,432	6,207	25,379	24,253
Gross profit	9,011	8,336	33,568	32,933
Software development costs, net	2,090	1,982	8,006	8,055
Selling, general and administrative expenses	5,192	5,172	20,553	19,981
	1,729	1,182	5,009	4,897
Depreciation	182	372	1,058	1,407
Operating income	1,547	810	3,951	3,490
Financial expenses, net	(457)	46	(1,978)	(882)
Other income, net	7		104	1,087
Income before taxes	1,097	856	2,077	3,695
Taxes on income	146	255	149	260
	951	601	1,928	3,435
Minority interest	(142)	123	(139)	(73)
Equity in losses of affiliated companies	--	(92)	--	(516)
Net income	809	632	1,789	2,846
Adjusted Net income(*)	900	729	2,345	3,285
Basic earnings per share	0.06	0.05	0.13	0.21
Diluted earnings per share	0.06	0.05	0.13	0.21
Adjusted Diluted earnings per share(*)	0.06	0.05	0.17	0.24
Common shares outstanding	13,558	13,534	13,557	13,523
Common shares assuming dilution	13,956	14,752	13,973	14,679

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

BLUEPHOENIX SOLUTIONS LTD.  
(AN ISRAELI CORPORATION)

CONSOLIDATED BALANCE SHEETS  
(in thousands)

	December 31 2005	December 31 2004
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$10,791	\$9,363
Marketable securities	--	177
Accounts receivable:		
Trade	18,143	15,814
Other	2,495	2,567
Total current assets	31,429	27,921
INVESTMENTS	370	--
FIXED ASSETS		
Cost	11,465	10,614
Less - accumulated depreciation	9,305	7,921
Total fixed assets	2,160	2,693
OTHER ASSETS, NET	67,743	60,268
Total assets	\$101,702	\$90,882
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term credit from banks and others	\$14,095	\$7,214
Accounts payable and accruals:		
Trade	3,088	4,382
Deferred revenue	2,776	2,583
Other	6,924	7,385
Total current liabilities	26,883	21,564
LONG-TERM LIABILITIES:		
Convertible debentures	4,342	5,149
Accrued severance pay, net	1,309	1,160
Provision for losses in formerly-consolidated subsidiary	1,971	1,971
Loans from banks and others	10,400	7,537
Total long-term liabilities	18,022	15,817
MINORITY INTEREST	5,031	4,870
SHAREHOLDERS' EQUITY	51,766	48,631
Total liabilities and shareholders' equity	\$101,702	\$90,882