

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

	Three months ended		Year ended	
	2006	December 31, 2005	2006	December 31, 2005
		Unaudited	Unaudited	
Revenues	\$18,290	\$15,443	\$68,004	\$58,947
Cost of revenues	7,674	6,432	28,515	25,379
Gross profit	10,616	9,011	39,489	33,568
Software development costs, net	2,587	2,090	9,400	8,006
Selling, general and administrative expenses	5,339	5,192	21,170	20,553
Depreciation	2,690	1,729	8,919	5,009
Operating income	325	182	979	1,058
Financial expenses, net	2,365	1,547	7,940	3,951
Other income, net	(1,058)	(457)	(3,505)	(1,978)
Income before taxes	---	7	282	104
Taxes on income	1,307	1,097	4,717	2,077
Minority interest	(326)	146	(272)	149
Net income	1,633	951	4,989	1,928
Basic earnings per share	(255)	(142)	(317)	(139)
Diluted earnings per share	\$1,378	\$809	\$4,672	\$1,789
Common shares outstanding	0.10	0.06	0.34	0.13
Common shares assuming dilution	0.09	0.06	0.33	0.13
	14,092	13,558	13,889	13,557
	14,640	13,956	14,371	13,960

BLUEPHOENIX SOLUTIONS LTD.
 (AN ISRAELI CORPORATION)
 CONSOLIDATED BALANCE
 SHEETS
 (in thousands)

	December 31 2006 Unaudited	December 31 2005
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$11,627	\$10,791
Marketable securities	1,053	---
Accounts receivable:		
Trade	26,489	18,143
Other	3,096	2,495
Total current assets	42,265	31,429
LONG-TERM TRADE RECEIVABLES	1,390	---
INVESTMENTS	---	370
PROPERTY AND EQUIPMENT, NET		
Cost	12,092	11,465
Less - accumulated depreciation	9,945	9,305
	2,147	2,160
OTHER ASSETS, NET	81,664	65,732
Total assets	\$127,466	\$99,691
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term credit from banks and others	\$609	\$14,095
Convertible debentures	4,482	---
Accounts payable and accruals:		
Trade	4,594	3,088
Deferred revenue	7,790	2,776
Other	6,847	6,924
Total current liabilities	24,322	26,883
LONG-TERM LIABILITIES:		
Convertible debentures	14,049	4,342
Accrued severance pay, net	1,718	1,309
Provision for losses in formerly-consolidated subsidiary	1,971	1,971
Loans from banks and others	20,109	8,389
Total long-term liabilities	37,847	16,011
MINORITY INTEREST	5,348	5,031
SHAREHOLDERS' EQUITY	59,949	51,766
Total liabilities and shareholders' equity	\$127,466	\$99,691

BLUEPHOENIX SOLUTIONS LTD.
 (AN ISRAELI CORPORATION)
 Non- GAAP Calculation Of Net Income
 (in thousands, except per share
 data)

	Three months ended December 31,		Year ended December 31,	
	2006 Unaudited	2005	2006 Unaudited	2005
Net income	\$1,378	\$809	\$4,672	\$1,789
Noncash financial expenses mainly related to convertible debentures	352	91	1,214	556
Net income excluding special items	\$1,730	\$900	\$5,886	\$2,345
Basic earnings per share	0.12	0.07	0.42	0.17
Diluted earnings per share	0.12	0.06	0.41	0.17
Common shares outstanding	14,092	13,558	13,889	13,557
Common shares assuming dilution	14,640	13,956	14,371	13,960