

BluePhoenix Solutions Reports First Quarter 2013 Results

Continued progress is shown in Q1 with Operating Profit of \$97K and a reduced expense run rate, non-GAAP earnings per share increase of 65%

SEATTLE, Washington — May 30th, 2013 — BluePhoenix Solutions (NASDAQ: BPHX), the leader in legacy lifecycle modernization, today announced financial results for the first quarter of 2013. The turnaround plan continues to be on target resulting in Operating Profit of \$97K and reduced expenses on a sequential quarter basis (Q1 vs. Q4).

Q1 Operating Profit was \$97K vs. Q1 2012 loss of (\$2.94MM). Q1 Non-GAAP Operating Loss was (\$527K) vs. Q1 2012 loss (\$1.69MM). Q1 Non-GAAP Operating Expenses decreased (as part of the restructuring plan) to \$1.7MM a \$300K reduction from Q4 2012 (of \$2MM). Q1 Non-GAAP Earnings Per Share were at a loss of (\$0.08) per diluted share compared to a loss of (\$0.02) in Q4 2012 and a loss of (\$0.23) in Q1 2012. Ending cash decreased (\$455K) to \$2.1MM from \$2.56MM in Q4 2012.

Matt Bell, CEO of BluePhoenix said “We are very happy with the progress we are making and the quarterly numbers continue to show improving results. Almost all of the restructuring is behind us and we are now focused on our core strengths, building sales, and launching new marketing efforts. As a result the pipeline is growing and we are finding new areas to leverage existing technology to sell to new markets.”

BluePhoenix will go over the following numbers during their quarterly conference call today at 4:30PM Eastern US time. The call can be accessed by dialing 1-888-668-9141 within the United States, or via +972-3-9180610 if calling internationally, approximately five minutes prior to its scheduled commencement. A live Veidan Broadcasting and a replay can be accessed through a link that will be available via the BluePhoenix website.

GAAP Results (in thousands US\$)	Q1 2013	Q4 2012	Q1 2012*
Revenues	2,198	3,059	2,024
Operating profit (loss)	97	218	(2,938)
Net loss	(600)	(383)	(3,249)
Loss per share, diluted*	(0.06)	(0.04)	(0.50)

Non-GAAP Results (in thousands US\$)	Q1 2013	Q4 2012	Q1 2012*
Revenues	2,198	3,059	2,024
Operating profit (loss)	(527)	(72)	(1,692)
Net (Loss) Income	(823)	(264)	(1,501)
Earnings (Loss) per share, diluted*	(0.08)	(0.02)	(0.23)

Notes:

* The results for Q1 2012 are presented after reclassification of Liacom Ltd and Bridgequest as discontinued operation.

Non-GAAP financial measures

The release includes non-GAAP diluted earnings per share and other non-GAAP financial measures, including non-GAAP operating income and non-GAAP net income. These non-GAAP measures exclude the following items:

- Amortization of intangible assets;
- Stock-based compensation;
- Onetime expenses related to cost saving plan and one time charges;
- Revaluation of derivatives and discount amortization;
- Gain on sales of subsidiaries and Appbuilder ;
- Net loss from discontinued operation.

The presentation of these non-GAAP financial measures should be considered in addition to BluePhoenix' GAAP results and is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP. BluePhoenix' management believes that these non-GAAP financial measures provide meaningful supplemental information regarding its performance by excluding certain charges and gains that may not be indicative of BluePhoenix' core business operating results. BluePhoenix believes that both management and investors benefit from referring to these non-GAAP financial measures in assessing BluePhoenix' performance. These non-GAAP financial measures also facilitate comparisons to BluePhoenix' historical performance. BluePhoenix includes these non-GAAP financial measures because management believes they are useful to investors in allowing for greater transparency with respect to supplemental information used by management in its financial and operational decision-making. Non-GAAP measures are reconciled to comparable GAAP measures in the table entitled "Unaudited Reconciliation of GAAP to Non-GAAP."