

BluePhoenix Solutions Ltd. Reports Third Quarter 2014 Results

Friday, November 14, 2014

SEATTLE, Washington — November 14, 2014 — BluePhoenix Solutions Ltd. (NASDAQ: BPHX) today announced third quarter 2014 results with revenue of \$1.6M and operating loss of (\$895K).

On a non-GAAP basis, operating expenses for third quarter 2014 were \$1.3M which was \$545K favorable versus prior year. Non-GAAP operating loss for third quarter 2014 was (\$729K) which was (\$134K) unfavorable compared to prior quarter. Included in the operating expenses are costs of \$150K related to our anticipated merger with Sophisticated Business Systems, Inc., or Ateras. Without these costs, we would have non-GAAP operating loss of (\$579K) which is \$16K favorable versus prior quarter and \$315K favorable versus prior year.

Matt Bell, BluePhoenix's Chief Executive Office and President, commented, "We are excited about our anticipated merger with Ateras, which is expected to close shortly after the shareholder vote on November 18. The combined entity not only makes us bigger and serves a more global market but it broadens our technology and solution set. The combined companies have synergies that we're excited to leverage as soon as the deal is officially closed."

See related 8-K and 10-Q filings for additional details.

BluePhoenix will go over the following numbers during the quarterly conference call today at 4:30PM Eastern Daylight Savings Time. The call can be accessed by dialing 1- 888-505-4368 within the United States, or via local US number 1- 719-325-2435 if calling internationally, approximately five minutes prior to its scheduled commencement. The participant code for the call is 8020635.

<u>GAAP Results (in thousands US\$)</u>	<u>Q3 2014</u>	<u>Q2 2014</u>	<u>Q3 2013</u>
Revenue	1,594	1,881	1,934
Operating loss	(895)	(797)	(1,151)
Net loss	(848)	(791)	(1,184)
Loss per share, diluted	(\$0.07)	(\$0.07)	(\$0.12)

<u>Non-GAAP Results (in thousands US\$)</u>	<u>Q3 2014</u>	<u>Q2 2014</u>	<u>Q3 2013</u>
Revenue	1,594	1,881	1,934
Operating loss	(729)	(595)	(894)
Net loss	(730)	(608)	(898)
Loss per share, diluted	(\$0.06)	(\$0.05)	(\$0.09)

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;
- Gain on sales of subsidiaries and Appbuilder;
- Revaluation of derivatives and discount amortization;
- Net loss from discontinued operation.

The presentation of these non-GAAP financial measures should be considered in addition to BluePhoenix's 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's 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's core business operating results. BluePhoenix believes that both management and investors benefit from referring to these non-GAAP financial measures in assessing BluePhoenix's performance. These non-GAAP financial measures also facilitate comparisons to BluePhoenix's 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."

About BluePhoenix Solutions

BluePhoenix Solutions Ltd. (NASDAQ: [BPHX](#)) provides legacy language and database translation. The BluePhoenix portfolio includes a comprehensive suite of tools and services for automated database and application migration. Leveraging over 20 years of best-practice domain expertise, BluePhoenix works closely with its customers to minimize risk and provide a clear path from legacy platforms like COBOL, Natural/Adabas and others to modern solutions like SQL, DB2, Java and more. BluePhoenix customers come from diverse industries and vertical markets such as automotive, banking and financial services, insurance, manufacturing, and retail. BluePhoenix has six offices in the United States, United Kingdom, Italy, Romania, and Israel.

Forward-Looking Statements

This press release may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are based on BluePhoenix's management's beliefs and assumptions and on information currently available to BluePhoenix's management. All statements other than statements of historical facts are "forward-looking statements" for purposes of these provisions, including those relating to future events, our future financial performance and financial guidance or the closing of the Ateras merger. In some cases, you can identify forward-looking statements by terminology such as "may," "might," "will," "should," "expect," "plan," "anticipate," "project," "believe," "estimate," "predict," "potential," "intend" or "continue," the negative of terms like these or other comparable terminology, and other words or terms of similar meaning in connection with any discussion of future operating or financial performance. These statements are only predictions. All forward-looking statements included in this document are based on information available to BluePhoenix on the date hereof, and BluePhoenix assumes no obligation to update any such forward-looking statements. Any or all forward-looking statements in this document may turn out to be wrong. Actual events or results may differ materially. Forward-looking statements can be affected by inaccurate assumptions

BluePhoenix might make or by known or unknown risks, uncertainties and other factors. These risks and uncertainties include but are not limited to: the effects of the global economic and financial trends; market demand for BluePhoenix's products; successful implementation of BluePhoenix's products; changes in the competitive landscape, including new competitors or the impact of competitive pricing and products; and such other risks and uncertainties as identified in BluePhoenix's most recent Annual Report on Form 10-K and other reports filed by it with the SEC. This press release is also available at www.bphx.com. All names and trademarks are their owners' property.

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