

**FORMULA SYSTEMS (1985) LTD.**  
**(An Israeli corporation)**  
**CONSOLIDATED BALANCE SHEETS**

	<b>June 30, 2008</b>	<b>December 31, 2007</b>
	<u>(Unaudited)</u>	<u>(Audited)</u>
	<u>U.S. \$</u>	
	(in thousands)	
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents .....	146,522	161,504
Short-term investments .....	56,974	40,276
Trade receivables .....	153,550	139,478
Other accounts receivable .....	26,919	34,822
Inventories .....	2,890	3,157
	<u>386,855</u>	<u>379,237</u>
<b>LONG-TERM INVESTMENTS, LOANS AND RECEIVABLES:</b>		
Loans and other investments .....	11,371	14,849
Investments in affiliates .....	3,794	3,792
	<u>15,165</u>	<u>18,641</u>
<b>SEVERANCE PAY FUND</b> .....	<u>44,503</u>	<u>36,851</u>
<b>FIXED ASSETS, NET</b> .....	<u>16,923</u>	<u>15,794</u>
<b>OTHER ASSETS, NET</b> .....	<u>189,176</u>	<u>162,060</u>
<b>TOTAL ASSETS ATTRIBUTED TO DISCONTINUED OPERATIONS ...</b>	<u>35</u>	<u>41</u>
	<u>652,657</u>	<u>612,624</u>
<b>CURRENT LIABILITIES:</b>		
Liabilities to banks and others .....	16,358	26,954
Trade payables .....	51,661	57,099
Other accounts payable .....	90,995	73,072
Debentures .....	3,924	3,524
	<u>162,938</u>	<u>160,649</u>
<b>LONG-TERM LIABILITIES:</b>		
Debentures .....	82,700	71,880
Deferred taxes .....	3,617	3,276
Customer advances .....	1,963	2,181
Liabilities to banks and others .....	22,802	23,685
Liability in respect of the acquisition of activities .....	1,195	1,373
Accrued severance pay .....	54,197	42,774
	<u>166,474</u>	<u>145,169</u>
<b>TOTAL LIABILITIES ATTRIBUTED TO DISCONTINUED OPERATIONS</b> .....	<u>438</u>	<u>503</u>
<b>MINORITY INTEREST</b> .....	<u>115,767</u>	<u>107,915</u>
<b>SHAREHOLDERS' EQUITY</b> .....	<u>207,040</u>	<u>198,388</u>
	<u>652,657</u>	<u>612,624</u>

**FORMULA SYSTEMS (1985) LTD.**  
**(An Israeli corporation)**  
**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**

	Six months ended		Three months ended	
	June 30,		June 30,	
	2008	2007	2008	2007
	U.S.\$		U.S.\$	
	(in thousands, except per share data)			
Revenues.....	287,264	235,720	151,479	122,170
Cost of revenues.....	<u>217,200</u>	<u>177,522</u>	<u>115,451</u>	<u>92,784</u>
Gross profit.....	70,064	58,198	36,028	29,386
Research and development costs, net.....	2,838	2,367	1,404	1,156
Selling, general and administrative expenses.....	49,942	41,881	24,751	21,211
Depreciation and amortization.....	<u>1,792</u>	<u>1,622</u>	<u>871</u>	<u>892</u>
Operating income.....	15,492	12,328	9,002	6,127
Financial expenses, net.....	<u>541</u>	<u>1,268</u>	<u>566</u>	<u>717</u>
	14,951	11,060	8,436	5,410
Gain on realization of investments.....	(292)	1,965	(18)	1,866
Other expenses, net.....	<u>421</u>	<u>435</u>	<u>377</u>	<u>178</u>
Income before taxes on income.....	14,238	12,590	8,041	7,098
Taxes on income.....	<u>1,082</u>	<u>968</u>	<u>611</u>	<u>260</u>
	13,156	11,622	7,430	6,838
Equity in losses of affiliated companies, net.....	390	364	115	213
Minority interest in profits, net.....	<u>5,484</u>	<u>4,816</u>	<u>3,078</u>	<u>2,465</u>
Income from continuing operation.....	7,282	6,442	4,237	4,160
Income from discontinued operations.....	<u>-</u>	<u>19,063</u>	<u>-</u>	<u>18,381</u>
Net income.....	<u>7,282</u>	<u>25,505</u>	<u>4,237</u>	<u>22,541</u>
<b>Earnings per share generated from continued operation :</b>				
Basic.....	0.55	0.49	0.32	0.32
Diluted.....	0.54	0.49	0.32	0.31
<b>Earnings per share generated from discontinuing operation :</b>				
Basic.....	-	1.44	-	1.39
Diluted.....	-	1.44	-	1.39
<b>Weighted average number of shares outstanding:</b>				
Basic.....	13,200	13,200	13,200	13,200
Diluted.....	<u>13,200</u>	<u>13,200</u>	<u>13,200</u>	<u>13,200</u>