

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

	September 30, 2008 (Unaudited)	December 31, 2007 (Audited)
	U.S. \$	
	(in thousands)	
CURRENT ASSETS:		
Cash and cash equivalents	127,521	161,504
Short-term investments	54,176	40,276
Trade receivables	153,058	139,478
Other accounts receivable	28,300	34,822
Inventories	3,252	3,157
	<u>366,307</u>	<u>379,237</u>
LONG-TERM INVESTMENTS, LOANS AND RECEIVABLES:		
Loans and other investments	16,572	14,849
Investments in affiliates	4,063	3,792
	<u>20,635</u>	<u>18,641</u>
SEVERANCE PAY FUND	<u>43,404</u>	<u>36,851</u>
FIXED ASSETS, NET	<u>16,710</u>	<u>15,794</u>
OTHER ASSETS, NET	<u>193,148</u>	<u>162,060</u>
TOTAL ASSETS ATTRIBUTED TO DISCONTINUED OPERATIONS...	<u>32</u>	<u>41</u>
	<u>640,236</u>	<u>612,624</u>
CURRENT LIABILITIES:		
Liabilities to banks and others	13,814	26,954
Trade payables	47,941	57,099
Other accounts payable	89,779	73,072
Debentures	3,903	3,524
	<u>155,437</u>	<u>160,649</u>
LONG-TERM LIABILITIES:		
Debentures	82,717	71,880
Deferred taxes	4,043	3,276
Customer advances	1,638	2,181
Liabilities to banks and others	20,286	23,685
Liability in respect of the acquisition of activities	1,167	1,373
Accrued severance pay	54,206	42,774
	<u>164,057</u>	<u>145,169</u>
TOTAL LIABILITIES ATTRIBUTED TO DISCONTINUED OPERATIONS	<u>406</u>	<u>503</u>
MINORITY INTEREST	<u>112,804</u>	<u>107,915</u>
SHAREHOLDERS' EQUITY	<u>207,532</u>	<u>198,388</u>
	<u>640,236</u>	<u>612,624</u>

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

	Nine months ended September 30,		Three months ended September 30,	
	2008	2007	2008	2007
	U.S.\$		U.S.\$	
(in thousands, except per share data)				
Revenues	437,005	357,433	149,741	121,713
Cost of revenues	<u>330,167</u>	<u>269,069</u>	<u>112,967</u>	<u>91,547</u>
Gross profit	106,838	88,364	36,774	30,166
Research and development costs, net	4,484	3,847	1,646	1,480
Selling, general and administrative expenses	73,690	62,944	23,748	21,064
Depreciation and amortization	<u>2,665</u>	<u>2,409</u>	<u>873</u>	<u>787</u>
Operating income	25,999	19,164	10,507	6,835
Financial expenses, net	<u>5,260</u>	<u>1,442</u>	<u>4,719</u>	<u>175</u>
	20,739	17,722	5,788	6,660
Gain (loss) on realization of investments	(404)	1,986	(112)	21
Other income (expenses), net	<u>(331)</u>	<u>(184)</u>	<u>90</u>	<u>252</u>
Income before taxes on income	20,004	19,524	5,766	6,933
Taxes on income	<u>1,525</u>	<u>1,073</u>	<u>443</u>	<u>104</u>
	18,479	18,451	5,323	6,829
Equity in losses (gains) of affiliated companies, net	296	546	(94)	182
Minority interest in profits, net	<u>8,022</u>	<u>6,964</u>	<u>2,538</u>	<u>2,148</u>
Income from continuing operation	10,161	10,941	2,879	4,499
Income from discontinued operations	<u>-</u>	<u>19,803</u>	<u>-</u>	<u>740</u>
Net income	<u><u>10,161</u></u>	<u><u>30,744</u></u>	<u><u>2,879</u></u>	<u><u>5,239</u></u>
Earnings per share generated from continued operation :				
Basic	0.77	0.84	0.22	0.34
Diluted	0.76	0.83	0.22	0.34
Earnings per share generated from discontinuing operation :				
Basic	-	1.5	-	0.05
Diluted	-	1.5	-	0.05
Weighted average number of shares outstanding:				
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>