

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

	December 31, 2008	December 31, 2007
	(Unaudited)	(Audited)
	U.S. \$	
	(in thousands)	
CURRENT ASSETS:		
Cash and cash equivalents	110,602	161,504
Short-term investments	46,158	40,276
Trade receivables	158,166	139,478
Other accounts receivable	16,104	34,822
Inventories	2,772	3,157
Total assets attributed to discontinued operations	31	-
	<u>333,833</u>	<u>379,237</u>
LONG-TERM INVESTMENTS, LOANS AND RECEIVABLES:		
Loans and other investments	15,844	14,849
Investments in affiliates	3,694	3,792
	<u>19,538</u>	<u>18,641</u>
SEVERANCE PAY FUND	<u>38,105</u>	<u>36,851</u>
FIXED ASSETS, NET	<u>15,228</u>	<u>15,794</u>
OTHER ASSETS, NET	<u>189,918</u>	<u>162,060</u>
TOTAL ASSETS ATTRIBUTED TO DISCONTINUED OPERATIONS ...	<u>-</u>	<u>41</u>
	<u>596,622</u>	<u>612,624</u>
CURRENT LIABILITIES:		
Liabilities to banks and others	10,731	26,954
Trade payables	57,240	57,099
Other accounts payable	109,732	73,072
Liability in respect of the acquisition of subsidiaries	6,954	-
Debentures	5,157	3,524
Total liabilities attributed to discontinued operations	372	-
	<u>190,186</u>	<u>160,649</u>
LONG-TERM LIABILITIES:		
Debentures	56,004	71,880
Deferred taxes	4,502	3,276
Customer advances	1,093	2,181
Liabilities to banks and others	16,640	23,685
Liability in respect of the acquisition of activity	1,010	1,373
Accrued severance pay	49,817	42,774
	<u>129,066</u>	<u>145,169</u>
TOTAL LIABILITIES ATTRIBUTED TO DISCONTINUED OPERATIONS	<u>-</u>	<u>503</u>
MINORITY INTEREST	<u>107,433</u>	<u>107,915</u>
SHAREHOLDERS' EQUITY	<u>169,937</u>	<u>198,388</u>
	<u>596,622</u>	<u>612,624</u>

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

	Year months ended		Three months ended	
	December 31,		December 31,	
	2008	2007	2008	2007
	U.S.\$		U.S.\$	
	(in thousands, except per share data)			
Revenues.....	590,807	493,350	153,802	135,917
Cost of revenues	452,263	369,110	122,096	100,041
Gross profit	138,544	124,240	31,706	35,876
Research and development costs, net.....	6,564	6,547	2,080	2,700
Selling, general and administrative expenses	95,071	87,176	21,381	24,231
Depreciation and amortization.....	3,536	3,282	871	873
Operating income.....	33,373	27,235	7,374	8,072
Financial expenses, net	6,008	3,810	748	2,367
	27,365	23,425	6,626	5,705
Gain (loss) on realization of investments.....	(337)	2,039	67	53
Other income (expenses), net.....	(580)	(750)	(249)	(567)
Income before taxes on income	26,448	24,714	6,444	5,191
Taxes on income	3,544	1,933	2,019	861
	22,904	22,781	4,425	4,330
Equity in losses (gains) of affiliated companies, net.....	216	653	(80)	107
Minority interest in profits, net	10,819	9,667	2,797	2,703
Income from continuing operation.....	11,869	12,461	1,708	1,520
Income from discontinued operations	-	24,798	-	4,995
Net income	<u>11,869</u>	<u>37,259</u>	<u>1,708</u>	<u>6,515</u>
Earnings per share generated from continued operation :				
Basic	0.88	0.95	0.13	0.12
Diluted	0.88	0.93	0.13	0.11
Earnings per share generated from discontinuing operation :				
Basic	-	1.87	-	0.38
Diluted	-	1.86	-	0.37
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>