

FORMULA SYSTEMS (1985) LTD.

(An Israeli corporation)
CONSOLIDATED BALANCE SHEETS

	June 30, 2005 (Unaudited)	December 31, 2004
	U.S. \$ (in thousands)	
CURRENT ASSETS:		
Cash and cash equivalents	71,936	107,174
Short-term investments	35,328	39,073
Trade receivables	122,321	114,533
Other accounts receivable	24,653	26,105
Inventories	4,577	4,668
	258,815	291,553
LONG-TERM INVESTMENTS, LOANS AND RECEIVABLES:		
Loans and other investments	5,815	5,247
Investments in affiliates	21,073	24,389
	26,888	29,636
SEVERANCE PAY FUND	31,964	31,943
FIXED ASSETS, NET	24,088	26,529
OTHER ASSETS, NET	261,174	261,359
	602,929	641,020
CURRENT LIABILITIES:		
Liabilities to banks and others	89,931	104,975
Trade payables	41,102	41,605
Other accounts payable	73,915	81,105
Debentures	6,481	32,374
Customer advances, net of work in progress	3,196	6,900
	214,625	266,959
LONG-TERM LIABILITIES:		
Debentures	27,579	27,086
Provision for losses in formerly owned investee	1,971	1,971
Deferred taxes	1,070	958
Customer advances	2,556	1,114
Liabilities to banks and others	49,471	19,789
Liability in respect of the acquisition of activities	1,867	2,036
Accrued severance pay	38,291	37,750
	122,805	90,704
MINORITY INTEREST	99,724	96,579
SHAREHOLDERS' EQUITY	165,775	186,778
	602,929	641,020

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

	Six months ended		Three months ended	
	June 30,		June 30,	
	2005	2004	2005	2004
	U.S.\$		U.S.\$	
	(in thousands, except per share data)			
Revenues	255,116	219,354	126,358	110,267
Cost of revenues	167,906	136,048	84,474	68,060
Gross profit	87,210	83,306	41,884	42,207
Research and development costs, net	11,174	12,891	5,666	6,450
Selling, general and administrative expenses	63,563	60,987	31,911	30,609
Depreciation and amortization	2,874	2,885	1,265	1,400
Restructuring and non-recurring costs	846	-	88	-
Operating income	8,753	6,543	2,954	3,748
Financial expenses, net	(4,819)	(5,332)	(2,519)	(2,594)
	3,934	1,211	435	1,154
Gain on realization of investments	2,462	5,804	497	1,839
Other income (expenses), net	830	(692)	(108)	(324)
Income before taxes on income	7,226	6,323	824	2,669
Taxes on income	(1,700)	(1,876)	20	(928)
	5,526	4,447	844	1,741
Equity in profits (losses) of affiliated companies, net	(2,421)	(622)	(677)	367
Minority interest in losses (profits), net	(1,176)	826	(56)	(96)
Net income	1,929	4,651	111	2,012
Earnings (loss) per share:				
Basic	0.15	0.43	0.003	0.19
Diluted	0.06	0.41	(0.028)	0.19
Weighted average number of shares outstanding:				
Basic	12,400	10,800	13,200	10,800
Diluted	12,400	10,800	13,200	10,800