

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

	<b>December 31, 2009 (Unaudited)</b>	<b>December 31, 2008 (Audited)</b>
	<b>U.S. \$</b>	
	<b>(in thousands)</b>	
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents .....	100,205	107,847
Short-term investments .....	58,410	46,158
Trade receivables .....	130,236	136,353
Other accounts receivable .....	22,062	15,425
Inventories .....	2,439	2,772
Total assets attributed to discontinued operations .....	27	27,614
	<b>313,379</b>	<b>336,169</b>
<b>LONG-TERM INVESTMENTS:</b>		
Long term investments .....	9,922	15,844
Investments in affiliates .....	3,293	3,694
	<b>13,215</b>	<b>19,538</b>
<b>SEVERANCE PAY FUND</b> .....	<b>44,131</b>	<b>38,105</b>
<b>FIXED ASSETS, NET</b> .....	<b>9,989</b>	<b>15,009</b>
<b>OTHER ASSETS, NET</b> .....	<b>185,725</b>	<b>187,801</b>
	<b>566,439</b>	<b>596,622</b>
<b>CURRENT LIABILITIES:</b>		
Liabilities to banks .....	9,845	8,481
Trade payables .....	43,776	39,475
Other accounts payable .....	91,134	75,252
Dividend payable .....	-	29,964
Liability in respect of the acquisition of subsidiaries .....	210	6,954
Debentures .....	14,639	5,157
Total liabilities attributed to discontinued operation .....	314	24,903
	<b>159,918</b>	<b>190,186</b>
<b>LONG-TERM LIABILITIES:</b>		
Debentures .....	43,918	56,004
Deferred taxes .....	2,207	4,502
Customer advances .....	1,116	1,093
Liabilities to banks .....	8,556	16,640
Liability in respect of the acquisition of activity .....	1,517	1,010
Accrued severance pay .....	53,893	49,817
	<b>111,207</b>	<b>129,066</b>
<b>EQUITY</b> .....	<b>295,314</b>	<b>277,370</b>
	<b>566,439</b>	<b>596,622</b>

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

	<b>Year months ended</b>		<b>Three months ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>U.S.\$</b>		<b>U.S.\$</b>	
	<b>(in thousands, except per share data)</b>			
Revenues .....	469,390	503,243	123,713	129,780
Cost of revenues .....	<u>352,283</u>	<u>373,775</u>	<u>93,578</u>	<u>100,503</u>
Gross profit.....	117,107	129,468	30,135	29,277
Research and development costs, net .....	4,430	6,564	1,469	2,080
Selling, general and administrative expenses .....	<u>77,322</u>	<u>90,451</u>	<u>19,194</u>	<u>19,459</u>
Operating income .....	35,355	32,453	9,472	7,738
Financial expenses, net.....	<u>(231)</u>	<u>(5,908)</u>	<u>(1,404)</u>	<u>(722)</u>
	35,124	26,545	8,068	7,016
Gain (loss) on realization of investments .....	-	(337)	-	67
Other income (expenses), net .....	<u>1,668</u>	<u>(580)</u>	<u>1,729</u>	<u>(249)</u>
Income before taxes on income .....	36,792	25,628	9,797	6,834
Taxes on income.....	<u>8,305</u>	<u>3,279</u>	<u>2,159</u>	<u>1,779</u>
	28,487	22,349	7,638	5,055
Share in gains (losses) of associated companies, net.....	<u>(335)</u>	<u>(216)</u>	<u>(205)</u>	<u>80</u>
Net Income .....	28,152	22,133	7,433	5,135
Attributable to non-controlling interest .....	<u>13,954</u>	<u>10,819</u>	<u>3,711</u>	<u>2,797</u>
Net income attributable to Formula's common shareholders from continuing operation .....	14,198	11,314	3,722	2,338
Net income from discontinued operation .....	<u>4,878</u>	<u>555</u>	<u>4,284</u>	<u>(630)</u>
Net income attributable to Formula's common shareholders.....	19,076	11,869	8,006	1,708
<b>Earnings per share generated from continuing operation :</b>				
Basic .....	1.03	0.84	0.35	0.18
Diluted.....	1.00	0.84	0.33	0.18
<b>Earnings per share generated from discontinued operation :</b>				
Basic .....	0.37	0.04	0.32	(0.05)
Diluted.....	0.36	0.04	0.32	(0.05)
<b>Weighted average number of shares outstanding:</b>				
Basic .....	13,200	13,200	13,200	13,200
Diluted.....	<u>13,564</u>	<u>13,200</u>	<u>13,573</u>	<u>13,200</u>