

SAPIENS INTERNATIONAL CORPORATION N.V.

Condensed Consolidated Balance Sheets

(U.S. Dollars in thousands)

| | <u>06/30/2008</u> | <u>12/31/2007</u> |
|---|--------------------|-------------------|
| | <u>(Unaudited)</u> | <u>(Audited)</u> |
| Assets | | |
| Cash and cash equivalents | \$ 8,990 | \$ 13,125 |
| Short-term investments | 3,000 | - |
| Trade receivables, net | 9,397 | 7,549 |
| Other current assets | 2,287 | 1,881 |
| Total current assets | <u>23,674</u> | <u>22,555</u> |
| Property and equipment, net | 1,229 | 1,219 |
| Other assets, net | 30,485 | 28,758 |
| Total assets | <u>\$ 55,388</u> | <u>\$ 52,532</u> |
| Liabilities and shareholders' equity | | |
| Short-term bank credit and current maturities of long-term debt and convertible debentures | \$ 7,539 | \$ 9,456 |
| Trade payables | 1,872 | 1,088 |
| Other liabilities and accrued expenses | 10,166 | 8,375 |
| Deferred revenue | 6,066 | 4,203 |
| Total current liabilities | <u>25,643</u> | <u>23,122</u> |
| Other long-term liabilities | 1,740 | 1,132 |
| Convertible debentures | 5,885 | 6,428 |
| Shareholders' equity | 22,120 | 21,850 |
| Total liabilities and shareholders' equity | <u>\$ 55,388</u> | <u>\$ 52,532</u> |

SAPIENS INTERNATIONAL CORPORATION N.V.

Condensed Consolidated Statements of Operations

(U.S. Dollars in thousands, except per share amounts)

| | For the three months ended | | For the six months ended | |
|---|----------------------------|----------------|--------------------------|-----------------|
| | 06/30/2008 | 06/30/2007 | 06/30/2008 | 06/30/2007 |
| | Unaudited | Unaudited | Unaudited | Unaudited |
| Revenues | \$ 11,012 | \$ 10,680 | \$ 21,503 | \$ 21,687 |
| Cost of revenues | \$ 6,542 | \$ 6,849 | \$ 12,798 | \$ 13,925 |
| Gross Profit | 4,470 | 3,831 | 8,705 | 7,762 |
| Operating expenses | | | | |
| Research and development, net | \$ 857 | \$ 486 | \$ 1,647 | \$ 976 |
| Selling, marketing, general and administrative | \$ 3,034 | \$ 3,183 | \$ 6,056 | \$ 6,475 |
| Operating Profit | 579 | 162 | 1,002 | 311 |
| Financial expenses, net | \$ 1,002 | \$ 692 | \$ 2,185 | \$ 1,116 |
| Other expenses, net (a) | \$ 103 | \$ 185 | \$ 543 | \$ 315 |
| Net Loss | <u>\$ 526</u> | <u>\$ 715</u> | <u>\$ 1,726</u> | <u>\$ 1,120</u> |
| Basic and diluted net loss per share (b) | <u>\$ 0.02</u> | <u>\$ 0.05</u> | <u>\$ 0.08</u> | <u>\$ 0.07</u> |
| Weighted average shares used to compute - basic and diluted net loss per share (b) | 21,541 | 15,514 | 21,541 | 15,184 |

Note

a: Includes taxes, equity losses, minority interest and capital losses due to repurchase of debentures.

b: Due to the net loss in the six and three months period ended June 30, 2007 and 2008 the inclusion of dilutive securities would be antidilutive.

SAPIENS INTERNATIONAL CORPORATION N.V.

Reconciliation of GAAP to Non-GAAP results

(U.S. Dollars in thousands, except per share amounts)

| | For the three months ended | | For the six months ended | |
|--|----------------------------|-------------|--------------------------|-------------|
| | 06/30/2008 | 06/30/2007 | 06/30/2008 | 06/30/2007 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| GAAP operating profit | 579 | 162 | 1,002 | 311 |
| Amortization of intangibles | 1,042 | 885 | 2,002 | 2,068 |
| Capitalization of software development | (982) | (1,134) | (1,858) | (2,475) |
| Stock-based compensation | 50 | 30 | 65 | 37 |
| Total adjustments to GAAP | 110 | (219) | 209 | (370) |
| Non-GAAP operating profit (loss) | 689 | (57) | 1,211 | (59) |
| | | | | |
| GAAP net loss | (526) | (715) | (1,726) | (1,120) |
| Total adjustments to GAAP as above | 110 | (219) | 209 | (370) |
| Non-GAAP net loss | (416) | (934) | (1,517) | (1,490) |
| | | | | |
| Non-GAAP basic net loss per share | 0.02 | 0.06 | 0.07 | 0.10 |
| | | | | |
| Weighted average number of ordinary shares used in computing basic and diluted net loss per ordinary share | 21,541 | 15,514 | 21,541 | 15,184 |