Formula Systems Group joins Asseco Family

Warsaw, September 3rd 2010

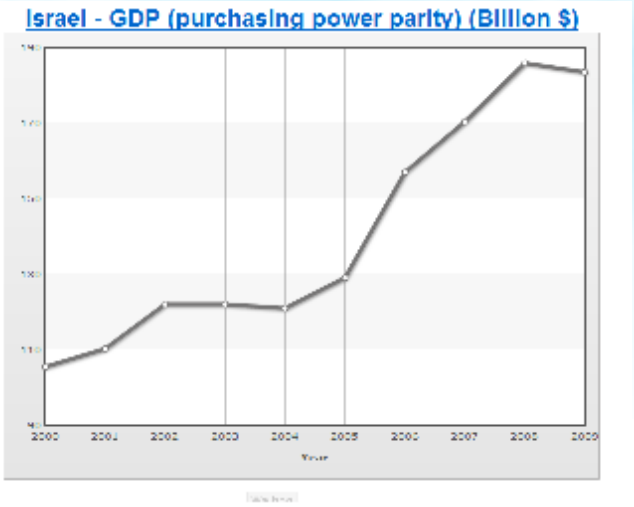
Agenda

- **Israel's Economy & Local IT Market**
- Formula Systems Group Overview
    - Formula Systems
        - Matrix IT
        - Magic Software Enterprises
        - Sapiens International Group
- Opportunities
- Transaction Conditions

Israel's economy & local IT market

Overview of Israel

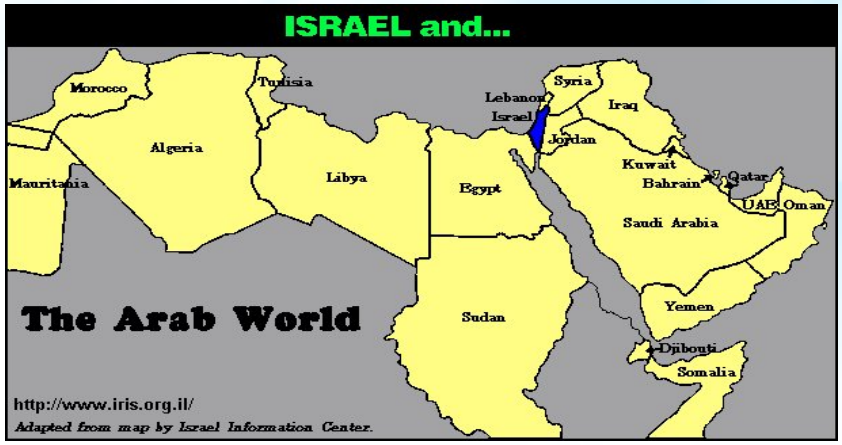
- Population: **7 million**
- GDP: $183.4 B
- GDP per capita: **US$26,200**
- Import: **US$47 B**
- Export: **US$42.1 B**
- High-Tech oriented economy



Overview of Israel

- 86% of the population lives within a 15 km wide strip along a 160 KM coast line
- World leader in number of engineers per capita.
- World's 2nd highest number of start-ups (in absolute terms) after the USA
- Hold the 1st spot (after Canada) for listing by non-USA companies on the NASDAQ

- **Amdocs**
- **Comverse**
- **Nice**
- **Checkpoint**
- **Mercury**
- **NDS**
- **Formula**

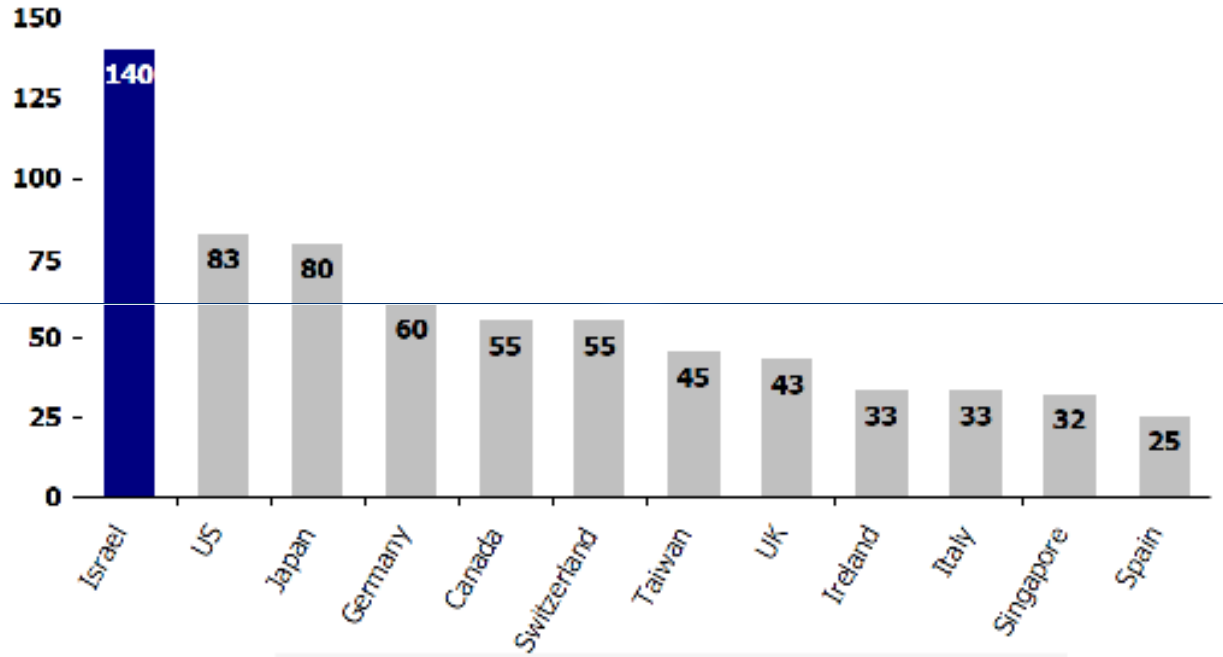


(Israel in Blue)

Technology Start-ups Hub

- Israel is one of the largest world centers for start-up enterprises, with about 1300 active start-ups.
- Innovative, technology-intensive activity, representing several technology breakthroughs.
- Investments by venture capital funds constitute an added value above financial contributions - in management, world market familiarity, strategic guidance and economic credibility.

An Innovation Heaven – Scientists & Engineers per 10,000 pp



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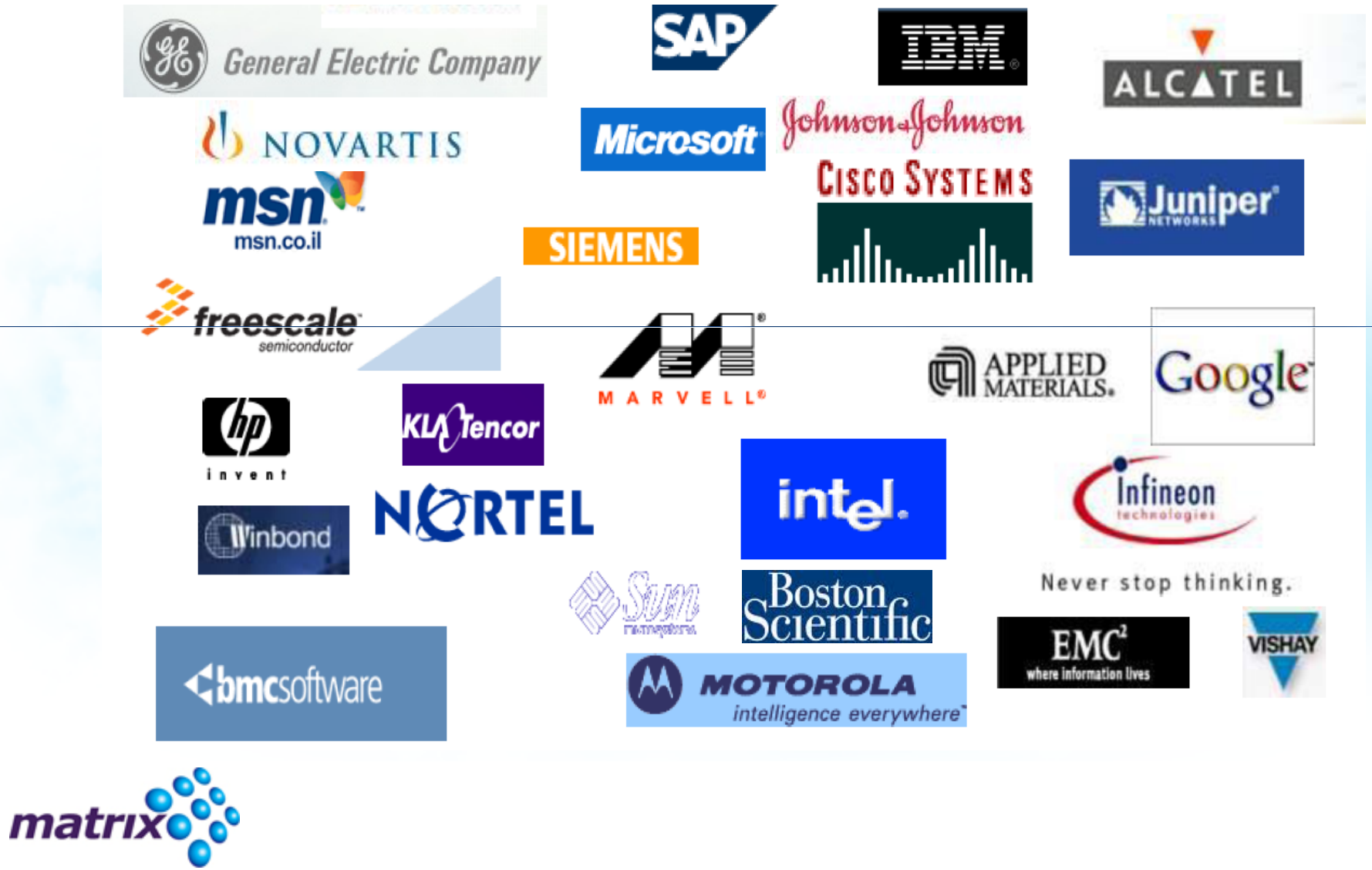
HT Development Centers in Israel



Local IT market

930 Organizations (over 251 employees) 14,750 Organizations (21-250 employees)			
TYPE OF ORGANIZATION	NUMBER OF EMPLOYEES	NUMBER OF ORGANIZATIONS	IT intensity
enterprise	over 1,000	150	CIO
very large	501 - 1000	280	
large	251 - 500	500	
medium	101 - 250	1,750	IT MGR
SMB large	21 - 100	13,000	
SMB small	6 - 20.	29,000	outsourced
SMB very small	2 - 5.	72,000	
SOHO	1	120,000	
Approximation from Bituach Leumi 3/2009			

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Local IT market - US$ 4 B

STKI Annual IT Market Figures ($MUSD)

(This figures represent the Israeli Enterprise IT Market only)

2008		2009		2010 (forecasted)		2011 (forecasted)		2012 (forecasted)
4,645.0	-12.53%	4,063.0	12.60%	4,575.0	9.46%	5,008.0	9.25%	5,471.0

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Local IT market –Industry share (%)

INDUSTRIES	2003	2004	2005	2006	2007	2008	2009	2010
Government + Education + Medicine	24.50%	16.90%	14.00%	10.00%	8.00%	10.00%	14.00%	15.74%
Security + Defence	14.80%	11.20%	11.00%	11.50%	10.50%	10.00%	12.00%	19.89%
Banking+ Insurance + Financial Services	14.80%	17.68%	27.00%	32.50%	34.00%	35.00%	30.00%	54.38%
Utilities + Transportation	4.90%	8.25%	9.40%	10.00%	12.00%	13.00%	15.00%	23.54%
Telecomm + High Tech	14.80%	23.97%	19.60%	16.00%	17.00%	15.00%	12.00%	26.38%
Manufacturing + Retail	19.70%	16.11%	11.00%	11.00%	10.00%	9.00%	7.00%	16.23%
S.M.B. s / home	6.50%	5.89%	8.00%	9.00%	8.50%	8.00%	10.00%	16.03%

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- Opportunities
- Transaction Conditions

Formula Systems
Overview

COMPANY PROFILE

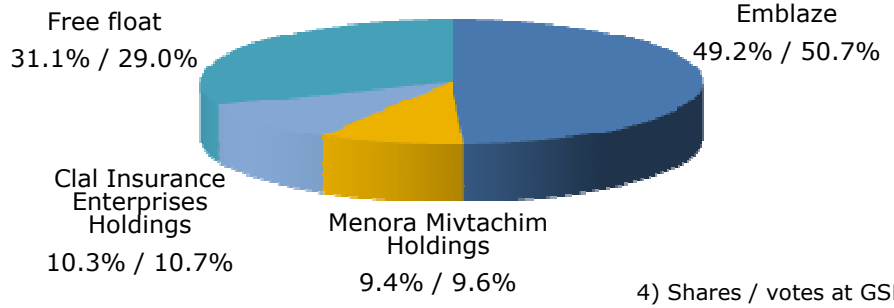
- Founded in 1985, listed since 1991 on TASE and 1997 on NASDAQ Global Market
- Controlling stakes in 3 subsidiaries:
  - Matrix IT – 50.1%
  - Magic Software Enterprises – 58.1%
  - Sapiens International Corp – 71.6%
- Holding company
- Total group employment of ca.5,200 people
- Current market cap of USD ~190 million

FINANCIAL FIGURES [1)]

	2009	*1H 2010*
Revenues	469.4	262.6
EBITDA	45.0	25.6
EBIT	37.3	22.3
Net Income	19.1	8.6
Cash [2)]	133.5	110.0 [3)]

1) All data in USD million
2) Cash and short terms investments reduced by credit from banks and others
3) Following dividends of $31M and $11M for M&A, group wise

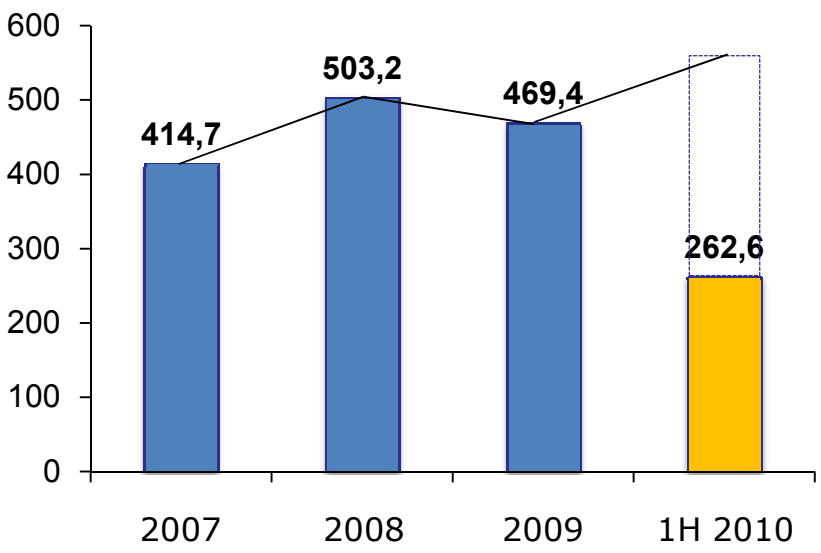
SHAREHOLDERS [4)]



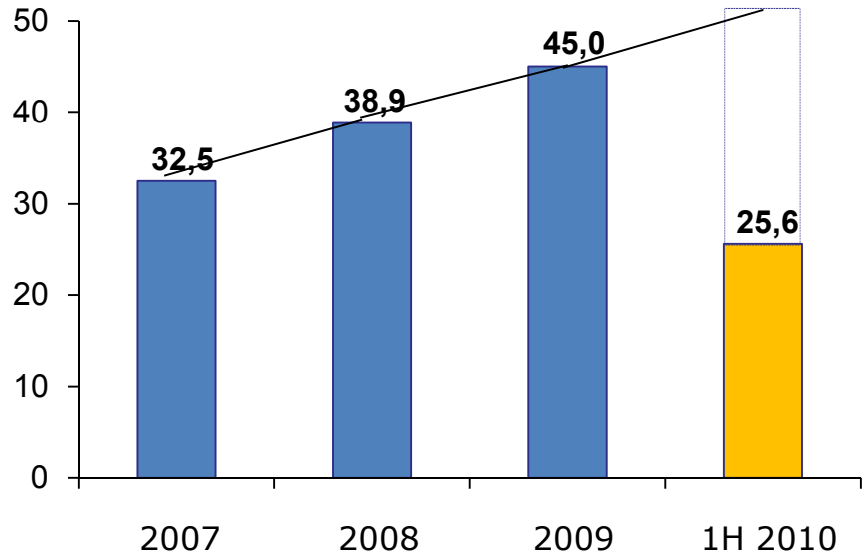
4) Shares / votes at GSM

Formula Systems
Performance 2007 – 1H2010*

REVENUES



EBITDA



* All data in USD million

Matrix IT
Overview

COMPANY PROFILE

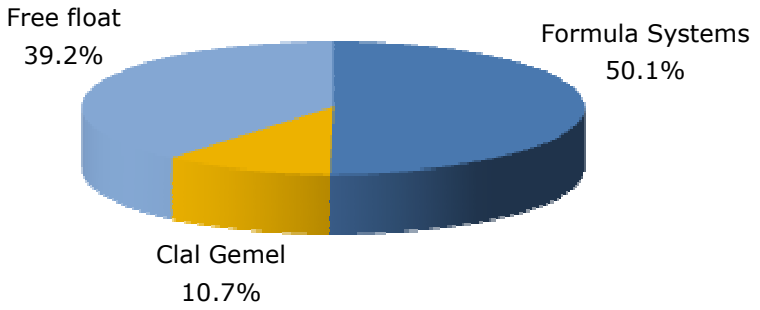
- Public company based in Israel
- Listed on TASE, with market cap of USD ~310 million
- Largest company within the Group:
  - Ca. 80% of group revenues
  - Ca. 62% of group income
  - Ca. 4,250 employees
- Israeli's largest IT & Integration company
- Diversified business profile
- Continuously growing business (excluding F/X differences)

FINANCIAL FIGURES [1)]

	2009	*1H 2010*
Revenues	368.5	191.2
EBITDA	31.9	18.2
EBIT	28.4	16.4
Net Income	20.3	11.6
Cash [2)]	63.1	61.8

1) All data in USD million
2) Cash and short terms investments reduced by credit from banks and others

SHAREHOLDERS



Matrix IT
Business Profile

PRODUCTS AND SERVICES

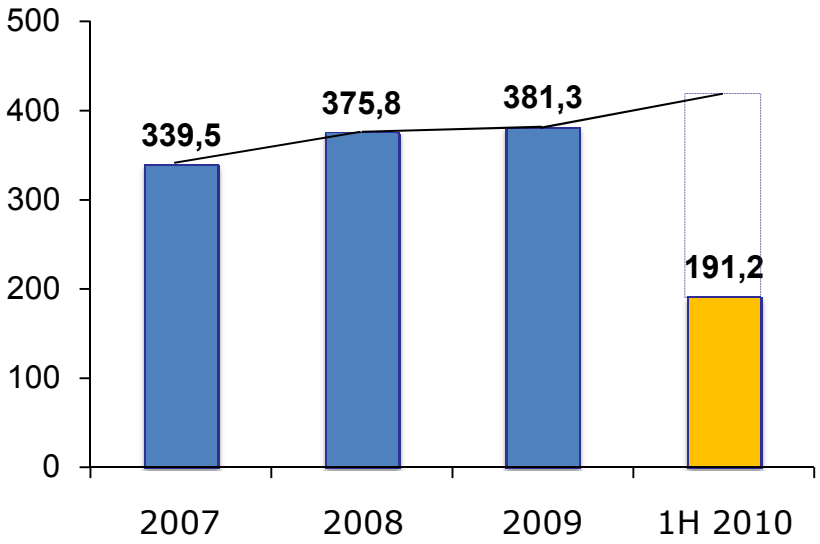
- Diversified business profile:
  - Top Professional Services
  - Offshore QA and Development Centers
  - Software Packages (3rd Party) and Product Distribution
  - Integration and IT Infrastructure
  - Training and Education
- Main sectors:
  - Defense
  - Finance
  - Telecom
  - Government
  - Manufacturing / Retail
  - Healthcare
- 21 Centers of Excellence

CLIENTS AND REFERENCES

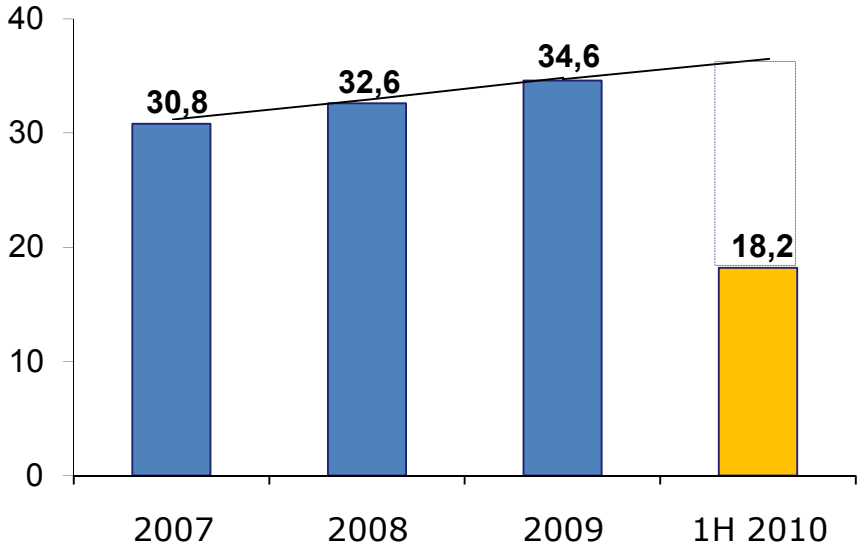
- Banks- Leumi, Poalim, Discount, Mizrahi, Igud
- Credit Cards (Visa, MasterCard)- LeumiCard, IsraCard, Visa Cal
- Communications- Bezeq, Cellcom Orange, Netvision, Smile, PelePhone, Yes, Hot
- Utilities - Israel Electric Corp, Mekorot, Israel Railway, IAA
- Government Ministries – Education, Foreign affairs, Defense MOD, Treasury, Healthcare
- Hi Tech – Amdocs, Comverse, Nice, Verint, SAP, Nokia Siemens, Microsoft, Applied Materials, Texas Instruments
- Automotive Retail – Toyota, Chevrolet, Kia, Buick, Nissan, Renault, Peugeot, Citroen
- Israeli Aerospace Industries – IAI, Elbit
- Health Care – Clalit HIS, Maccabi HIS

Matrix IT
Performance 2007 – 1H2010*

REVENUES



EBITDA



* All data in USD million

Magic Software Enterprises
Overview

COMPANY PROFILE

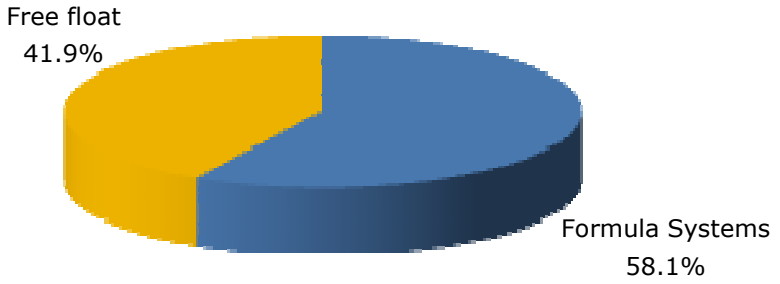
- International company based in Israel
- Listed on NASDAQ and TASE, with market cap of USD ~90 million
- Branches in USA, Netherlands, UK, Germany, France, Hungary, Israel, Japan and India (Development Center)
- Subsidiary in USA with 2 locations:
  - CoreTech Consulting Group LLC
- Subsidiary in UK:
  - Hermes Logistics Technologies Ltd.
- Headcount: 630 people

FINANCIAL FIGURES [1)]

	2009	*1H 2010*
Revenues	55.4	41.2
EBITDA	7.8 [3)]	4.7
EBIT	6.2	3.8
Net Income	6.2	3.8
Cash [2)]	41.9	25.8 [4)]

1) All data in USD million
2) Cash and short terms investments reduced by credit from banks and others
3) Including $2.0M income from sale of HQ building
4) Following a $16.0M ($0.50 per share) dividend and $8.4M IT services assets acquisition

SHAREHOLDERS



Magic Software Enterprises
Business Profile

PRODUCTS AND SERVICES

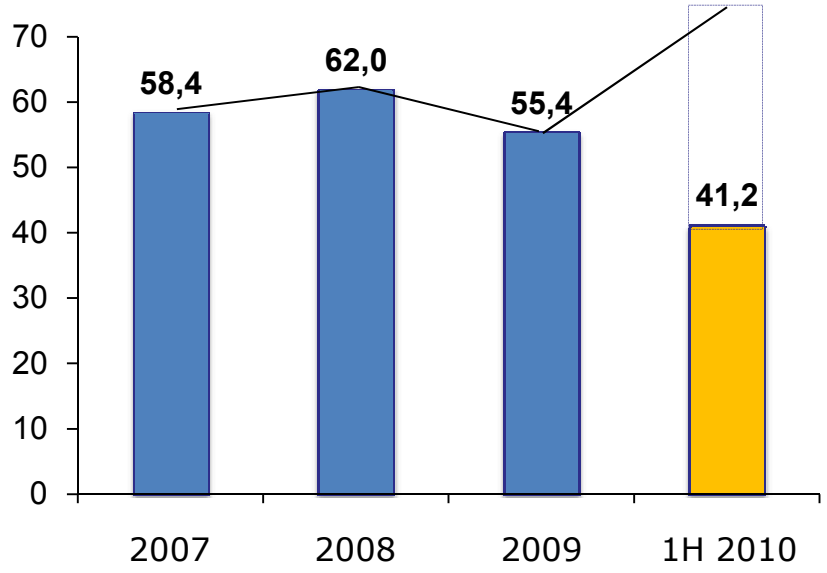
- Main products:
  - **uniPaaS** – End-to-end application development platform
  - **iBOLT** – business and process integration suite
- Ca. 2,500 business partners:
  - Independent Soft. Vendors
  - Value Added Resellers
  - Corporations (End-users)
- Markets (geography):
  - USA - 50%
  - Europe - 26%
  - Japan - 13%
  - Rest of the world - 9%

CLIENTS AND REFERENCES

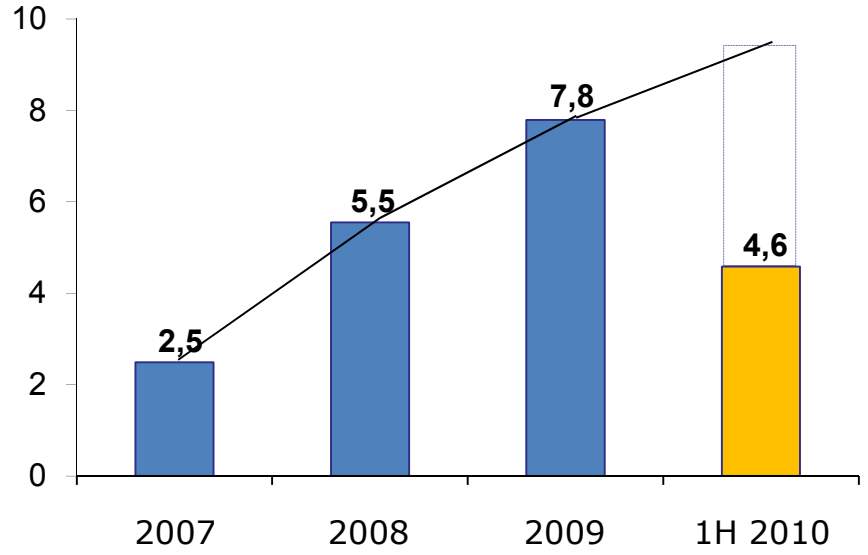
- UPS
- Sun Life Financial
- Allstate
- Sterling Crane
- Mizuno
- SONY
- Adidas Canada
- Guardian Life Insurance
- Sheba Medical Center
- Steelcase
- Sun Life Insurance
- State of Washington Courts

Magic Software Enterprises
Performance 2007 – 1H2010*

REVENUES



EBITDA



* All data in USD million

Sapiens International Corporation
Overview

COMPANY PROFILE

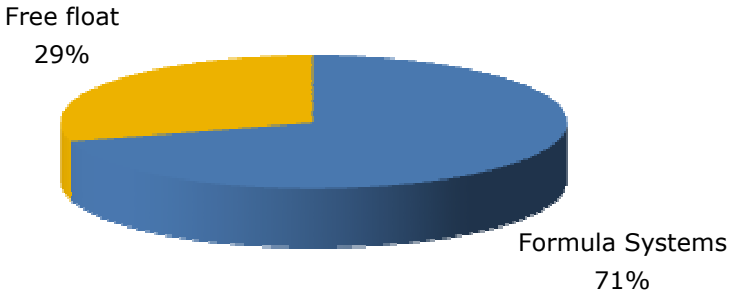
- Public company registered in Netherlands Antilles
- Listed on NASDAQ Global Market and TASE, with market cap of USD ~50 Million
- Offices in US, UK, Japan, Israel and Canada
- Business Solutions for the Insurance sector
- Strong client base 100+ large customers (Fortune 1000)
- Headcount: 350

FINANCIAL FIGURES [1)]

	2009	*1H 2010*
Revenues	45.7	24.4
EBITDA	7.2	4.2
EBIT	5.3	3.2
Net Income	4.2	2.9
Cash [2)]	11.2	10.4

1) All data in USD million
2) Cash and short terms investments reduced by credit from banks and others and after $2.5m for M&A

SHAREHOLDERS



Sapiens International Corporation

Business Profile

PRODUCTS AND SERVICES

- Software for Insurance covering:
  - Policy Administration (General Insurance)
  - Reinsurance
  - Life & Pensions
  - Closed Books
- IT Services & Outsourcing of App. Maintenance
- Sapiens eMerge – a model-driven architecture, using rule-based, enterprise-scale transaction engine that facilitates business process integration and application scalability.

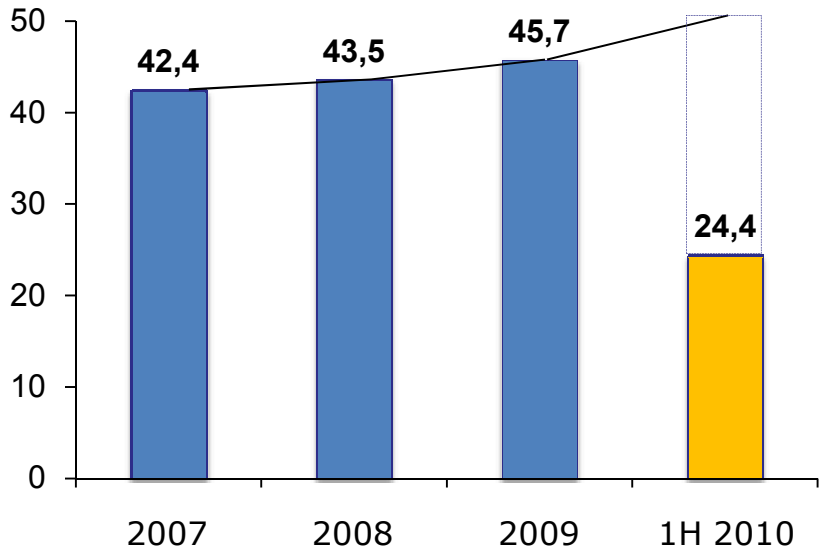
CLIENTS AND REFERENCES

- ING
- Allianz
- Aviva
- AXA
- Barclays
- Philadelphia insurance (part of Tokio marine)
- Menora Mivtachim Insurance
- Texas Farm Bureau Insurance Co
- Liverpool Victoria Friendly Society Ltd.

Sapiens International Corporation

Performance 2007 – 1H2010*

REVENUES



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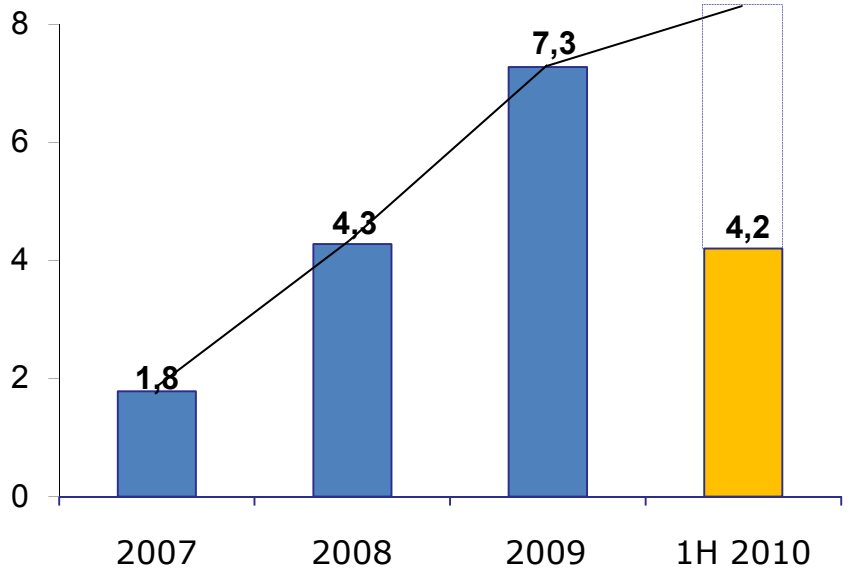

* All data in USD million

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- **Opportunities**
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Opportunities
Synergies

- International presence, including USA and Japan
- Access to new markets, incl. very innovative Israeli market
- Access to top professionals, across the world
- Exchange of know-how, technologies and products
- Business alliances with global technology players
- Creation of multicultural Corporation
- Further growth – organic and M&A

Opportunities
Further Growth Plans

FORMULA SYSTEMS

- Acquisition of international listed companies dealing with software or software services that have critical mass ($50m-$200m) and provide good yield or can be turned around fast

MATRIX IT

- Acquisition of one of the Israeli IT competitors to become the clear dominant player in Israel

MAGIC

- Acquisition of complementary technologies and services companies with intensive install base of customers to leverage on worldwide

SAPIENS

- Acquisition of service based companies or old products with customer base,….in the insurance sector

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Transaction Conditions

- Purchase of 50.2% stake (51.2% voting rights)
- Total purchase price not exceeding USD 145.3 million (including closing costs) to be paid at the closing date
- Current market valuation of 50.2% stake in Formula results in 49% control premium to be paid by Asseco, but premium based on the current market valuation of Formula assets (including excess cash of USD 16m in the holding company) is only 12%
- Asseco is buying Formula at P/E=15.2 (based on 2009 net profit) however after deducting excess cash available at Formula level from the price for the shares P/E gets down to 8.3
- Financed with own cash and excisting credit lines

Thank You