

These statements were made in accordance to IFRS accounting standards

These is a summary and NOT the complete financial statements of the company which can be found on TASE web site.

M.T.I Computers & Software Service (1982) LTD.

Audited Consolidated Balance Sheets

	<u>31.12.2008</u>	<u>31.12.2007</u>
	<u>US \$</u>	<u>US \$</u>
	<u>In Thousands</u>	
Current assets		
Cash and cash equivalents	4,655	3,946
Short Term Investments	9,625	11,608
Trade receivable	5,950	*6,028
Unbilled receivables	1,420	*1,372
Other receivable	369	339
Tax receivable	158	183
Inventories	<u>3,159</u>	<u>2,731</u>
Total current Assets	25,336	26,207
Non Current assets		
Long –term prepaid expenses	102	106
Fixed Assets, net	5,411	5,453
Goodwill	399	502
Deferred-tax assets	<u>398</u>	<u>443</u>
Total Non current Assets	6,310	6,504
Total Assets	<u>31,646</u>	<u>32,711</u>

(*) Reclassified

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	<u>31.12.2008</u>	<u>31.12.2007</u>
	<u>US \$</u>	<u>US \$</u>
	<u>In Thousands</u>	
Current Liabilities		
Short-term credits from banks	2,452	299
Financial liability in fair value through profit and loss	64	-
Trade payable	3,720	*3,534
Other accounts payable	1,332	*1,360
Provisions	200	*200
Tax payable	374	494
Liability due to options granted in subsidiary	-	239
Total Current Liabilities	8,142	6,126
Long Term Debt		
Credits from banks	853	1,004
Liability for employee rights upon retirements, net	271	345
Other Long term liabilities	141	*55
Total Long Term Debt	1,265	1,404
Minority holdings in subsidiaries	9,716	11,131
Shareholders' equity	12,523	14,050
	<u>22,239</u>	<u>25,181</u>
	<u>31,646</u>	<u>32,711</u>

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CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	Year ended 31.12.2008 US \$	Year ended 31.12.2007 US \$	Year ended 31.12.2006 US \$
	In Thousands		
Revenues from services	24,903	25,370	21,821
Cost of services	<u>17,718</u>	<u>16,219</u>	<u>13,448</u>
Gross Profit	7,185	9,151	8,373
Research and development expenses	2,704	3,064	2,007
Selling expenses	2,929	2,403	2,186
General and administrative expenses	2,599	2,280	1,909
Other Income	<u>(3)</u>	<u>-</u>	<u>(2,187)</u>
Operating profit (loss)	(1,044)	1,404	4,458
Financial expenses	369	712	609
Financial income	<u>(661)</u>	<u>(1,814)</u>	<u>(1,336)</u>
Profit (loss) before tax	(752)	2,506	5,185
Tax	<u>301</u>	<u>477</u>	<u>322</u>
Net Profit (Loss)	<u>(1,053)</u>	<u>2,029</u>	<u>4,863</u>
Profit (loss) attribute to shareholders in the company	(1,551)	(302)	3,139
Profit attribute to minority	498	2,331	1,724
Earning Per Share (in US cents)	<u>(1.34)</u>	<u>(1.8)</u>	<u>25.9</u>

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31.12.2008 US \$	Year ended 31.12.2007 US \$	Year ended 31.12.2006 US \$
	In Thousands		
Cash Flow from Operation			
Net profit (loss) for the year per statements of profit and loss	(1,053)	2,029	4,863
Adjustments required due to:			
Depreciation	581	557	504
Tax on income per the statements of profit and loss	301	477	322
Profit from sale of investment in subsidiary , net	-	-	(2,187)
Profit from sell of fixed assets	(3)	(1)	-
Increase in fair value of financial assets	37	(207)	(434)
Increase in value of long term loans	31	121	219
Financial income due from valuation of warrants in subsidiaries	(239)	(757)	(138)
Financial income (exchange rate differences of cash balance)	(19)	(42)	(31)
Salary expenses due to warrants to employees	29	27	109
Profit (loss) before change in working capital	(335)	2,204	3,227
Decrease (Increase) in trade receivable	78	(356)	(2,176)
Increase in unbilled revenue	(48)	(358)	-
Decrease (Increase) in other receivables	(30)	150	(97)
Increase in inventory	(428)	(727)	(894)
Decrease (Increase) in long term prepaid expenses	4	(32)	(16)
Increase in liabilities to vendors and service providers	235	311	1,094
Increase (decrease) in other payables	(31)	(89)	995
Increase in provisions	86	-	-
Increase (decrease) in liabilities to related parties	3	(29)	(57)
Increase (decrease) in liabilities to employee rights upon retirements, net	(74)	(4)	63
Changes in working capital	(205)	(1,134)	(1,088)
Cash Flow from operation	(540)	1,070	2,139
Tax paid on income	(351)	(234)	(128)
Net cash Flow from operation	(891)	836	2,011

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	Year ended 31.12.2008 US \$	Year ended 31.12.2007 US \$	Year ended 31.12.2006 US \$
	In Thousands		
Cash Flows From Investing Activities			
Purchase of fixed assets	(596)	(681)	(506)
Sale of fixed assets	11	1	1
Interest received from financial assets	84	138	(84)
Sale of investment in subsidiary	-	-	1,661
Sale (purchase) of short term investment, net	1,926	1,484	(12,504)
Net cash provided by (used in) Investing Activities	1,425	942	(11,432)
Cash Flows From Finance Activities			
Exercise of options to share capital	24	85	81
Dividend to minority in subsidiary	(504)	(470)	(527)
Issuance of shares to minority in subsidiary	-	-	8,891
Purchase of minority rights in subsidiary	(1,335)	-	-
Payment of convertible bonds of the company	-	-	(9)
Short Term credit from banks	2,189	-	-
Procurement of long Term loans from banks	1,283	-	-
Interest paid on loans	(197)	(194)	(129)
Payment of long terms loans from the bank	(1,304)	(174)	(317)
Net Cash from Finance Activity	156	(753)	7,990
Increase (decrease) in cash and cash equivalents	690	1,025	(1,431)
Exchange rate differences of cash balance	19	42	31
Cash and cash equivalents at the beginning of the year	3,946	2,879	4,279
Cash and cash equivalents at the end of the year	4,655	3,946	2,879