

**MAGIC SOFTWARE ENTERPRISES LTD**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
*(In thousands of U.S. dollars, except per share data)*

	<b>Three months ended March 31,</b>	
	<b>2008</b>	<b>2007</b>
	<u>(unaudited)</u>	<u>(unaudited)</u>
Sales	15,069	13,831
Cost of sales	6,785	6,766
Gross profit	8,284	7,065
Software development costs, net	560	626
Selling, general and administrative expenses	7,860	5,971
Total operating expenses	8,420	6,597
Operating income (loss)	(136)	468
Financial income, net	180	106
Other income, net	39	25
Income before taxes	83	599
Taxes on income	23	142
	60	457
Equity gain (loss)	(8)	10
Net income before discontinued operation	52	467
Net income from discontinued operation	0	537
Net income after discontinued operation	52	1,004
Basic net earnings per ordinary share	0	0.03
Diluted net earnings per ordinary share	0	0.03
Weighted average number of ordinary shares used in computing basic net earnings per ordinary share	31,763	31,306
Weighted average number of ordinary shares used in computing diluted net earnings per ordinary share	32,001	31,990

**Magic Software Enterprises Ltd**  
**RECONCILIATION OF GAAP TO NON-GAAP RESULTS**  
*(In thousands of U.S. dollars, except per share data)*

	Three months ended March 31,	
	2008	2007
	(unaudited)	(unaudited)
GAAP operating income (loss)	(136)	468
Amortization of intangibles	578	822
Capitalization of software development	(856)	(764)
Stock-based compensation	491	34
Total adjustments to GAAP	213	92
Non-GAAP operating income (loss)	77	560
GAAP net income (loss) before discontinued operation	52	468
Total adjustments to GAAP as above	213	92
Non-GAAP net income (loss) before discontinued operation	265	560
GAAP net income (loss)	52	1,004
Total adjustments to GAAP as above	213	92
Non-GAAP	265	1,096
Non-GAAP basic earnings per share	0.01	0.04
Weighted average number of ordinary shares used in computing basic net earnings per ordinary share	31,763	31,306
Non-GAAP diluted earnings per share	0.01	0.03
Weighted average number of ordinary shares used in computing diluted net earnings per ordinary share	32,001	31,990

**Magic Software Enterprises Ltd**  
**CONSOLIDATED BALANCE SHEETS**  
*(In thousands of U.S. dollars)*

	<b>As of March 31, 2008</b>	<b>As of December 31, 2007</b>
	(unaudited)	(unaudited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	29,139	12,178
Short term bank deposits	102	89
Marketable securities	2,994	4,090
Trade accounts receivable	13,591	12,941
Other receivables and prepaid expenses	2,824	2,010
Debtors from a subsidiaries sale		16,000
Current assets of discontinued operations	35	41
<b>Total Current Assets</b>	<b>48,685</b>	<b>47,349</b>
<b>Non-Current Assets</b>		
Severance pay fund	2,093	1,925
Long term deposits	511	472
Investment in affiliated companies	119	127
Fixed assets, net	5,755	5,758
Goodwill	16,514	15,986
Other assets, net	10,995	10,681
<b>Total Non-Current Assets</b>	<b>35,987</b>	<b>34,949</b>
<b>Total Assets</b>	<b>84,672</b>	<b>82,298</b>
<b>Current Liabilities</b>		
Short-term credit from banks	175	3,621
Trade accounts payable	2,933	2,999
Accrued expenses and other liabilities	7,943	9,169
Deferred Revenues	8,096	2,314
Current Liabilities of discontinued operation	465	503
<b>Total Current Liabilities</b>	<b>19,612</b>	<b>18,606</b>
<b>Non-Current Liabilities</b>		
Long-term loans	140	132
Accrued severance pay	2,330	2,316
Minority interests	4	-
<b>Total Non-Current Liabilities</b>	<b>2,474</b>	<b>2,448</b>
<b>Shareholders' Equity</b>	<b>62,586</b>	<b>61,244</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>84,672</b>	<b>82,298</b>