

**FOR IMMEDIATE RELEASE**

## **Formula Systems Reports First Quarter Results**

Herzliya, Israel – May 27, 2008 – Formula Systems (1985) Ltd. (NASDAQ: FORTY) a leading provider of information technology products, solutions and services, announced today results for the first quarter of 2008.

Revenues for the first quarter totaled \$135.8 million an increase of 20% compared to \$113.5 million in the first quarter of 2007.

Operating income in the first quarter of 2007 was \$6.5 million compared to \$6.2 million in the same quarter of 2007.

Net income generated from continuing operation in the first quarter of 2008 was \$3.0 million compared to net income generated from continuing operation of \$2.3 million in the first quarter of 2007.

Our cash and short time investments totaled approximately \$207 million as of March 31, 2008. and our current ratio was 2.5.

In April 2008, Formula distributed a cash dividend of approximately \$10 million, or \$0.76 per share.

Guy Bernstein, CEO of Formula, commented: "I am pleased with the constant growth of the Group activity especially in light of the turbulent times. Our first quarter revenues represents well over \$500 million for the whole year. Well equipped with the necessary resources, we will continue to explore acquisitions outside the Group while focusing on increasing internal synergies, cross selling and joint ventures within the group."

### About Formula

Formula Systems Ltd. is a global information technology company principally engaged, through its subsidiaries and affiliates, in providing software consulting services, developing proprietary software products and providing computer-based business solutions.

Statements made in this press release that are not historical facts are forward-looking statements. Such statements involve various risks that may cause actual results to differ materially. These risks and uncertainties include, but are not limited to: market demand for the company's products, dependence on strategic partners, integration of new business, successful implementation of Formula's products, economic and competitive factors, international market conditions, management of growth, technological developments, the ability to finance operations and other factors which are detailed in Formula's Securities and Exchange Commission filings, including its most recent report on Form 20-F. Formula undertakes no obligation to publicly release any revision to any forward-looking statement.

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**CONSOLIDATED BALANCE SHEETS**

	<b>March 31, 2008</b>	<b>December 31, 2007</b>
	<b>U.S. \$</b>	
	<b>(in thousands)</b>	
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents .....	161,166	161,504
Short-term investments .....	45,467	38,731
Marketable securities available for sale .....	962	1,545
Trade receivables .....	141,023	139,676
Other accounts receivable .....	23,191	33,222
Assets attributed to discontinued operations .....	35	41
Inventories .....	3,503	3,157
	<u>375,347</u>	<u>377,876</u>
<b>LONG-TERM INVESTMENTS &amp; DEPOSITS , LOANS AND RECEIVABLES:</b>		
Loans and other investments .....	14,990	14,377
Investments in affiliates .....	3,656	3,682
	<u>18,646</u>	<u>18,059</u>
<b>SEVERANCE PAY FUND</b> .....	<u>38,435</u>	<u>36,851</u>
<b>FIXED ASSETS, NET</b> .....	<u>16,420</u>	<u>15,794</u>
<b>OTHER ASSETS, NET</b> .....	<u>172,845</u>	<u>162,653</u>
	<u>621,693</u>	<u>611,233</u>
<b>CURRENT LIABILITIES:</b>		
Liabilities to banks and others .....	16,825	26,481
Trade payables .....	52,717	56,172
Other accounts payable .....	76,381	72,521
Debentures .....	4,102	3,725
Liabilities attributed to discontinued operations .....	465	503
	<u>150,490</u>	<u>159,402</u>
<b>LONG-TERM LIABILITIES:</b>		
Debentures .....	76,172	71,679
Unrealized Gain .....	92	85
Deferred taxes .....	3,623	3,276
Customer advances .....	1,990	2,181
Liabilities to banks and others .....	24,179	23,684
Liability in respect of the acquisition of activities .....	1,299	1,374
Accrued severance pay .....	46,334	43,249
	<u>153,689</u>	<u>145,528</u>
<b>MINORITY INTEREST</b> .....	<u>109,033</u>	<u>107,915</u>
<b>SHAREHOLDERS' EQUITY</b> .....	<u>208,481</u>	<u>198,388</u>
	<u>621,693</u>	<u>611,233</u>

**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2008</b>	<b>2007</b>
	<b>U.S.\$</b>	
	<b>(in thousands, except per share data)</b>	
Revenues.....	135,785	113,550
Cost of revenues .....	101,749	84,738
Gross profit.....	34,036	28,812
Research and development costs, net.....	1,434	1,211
Selling, general and administrative expenses .....	25,191	20,432
Depreciation and amortization.....	921	839
Restructuring and non-recurring costs .....	-	129
Operating income.....	6,490	6,201
Financial income (expenses), net.....	25	(551)
	6,515	5,650
Gain (loss) on realization of investments.....	(274)	99
Other expenses, net.....	(44)	(257)
Income before taxes on income .....	6,197	5,492
Taxes on income .....	471	708
	5,726	4,784
Equity in losses of affiliated companies, net.....	(275)	(151)
Minority interest in profits, net.....	2,406	2,351
Income from continuing operation.....	3,045	2,282
Income from discontinued operations	-	682
Net income	<u>3,045</u>	<u>2,964</u>
 <b>Earnings per share generated from continued operation :</b>		
Basic .....	0.23	0.19
Diluted .....	0.23	0.19
 <b>Earnings per share generated from discontinuing operation :</b>		
Basic .....	-	0.03
Diluted .....	-	0.03
 <b>Weighted average number of shares outstanding:</b>		
Basic .....	13,200	13,200
Diluted .....	13,200	13,200