

MAGIC SOFTWARE ENTERPRISES LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
U.S. dollars in thousands (except per share data)

	Three months ended	
	March 31,	
	2009	2008
	Unaudited	
Revenues	13,770	15,069
Cost of Revenues	6,737	6,785
Gross profit	7,033	8,284
Research and development, net	339	560
Selling, general and administrative expenses	5,954	7,860
Total operating expenses, net	6,293	8,420
Operating income (loss)	740	(136)
Financial income, net	64	180
Other income, net	-	39
Income before taxes on income	804	83
Taxes on income	90	23
Income after taxes on income	714	60
Equity in losses of affiliates	-	(8)
Net income	714	52
Basic net earnings per share	0.02	0.00
Diluted net earnings per share	0.02	0.00
Weighted average number of shares used in computing net earnings per share		
Basic	31,894	31,763
Diluted	31,938	32,001

MAGIC SOFTWARE ENTERPRISES LTD.
RECONCILIATION BETWEEN GAAP AND NON-GAAP
STATEMENTS OF OPERATIONS FOR COMPARATIVE PURPOSES
U.S. dollars in thousands (except per share data)

	Three months ended	
	March 31,	
	2009	2008
	Unaudited	
GAAP operating income (loss)	740	(136)
Amortization of intangibles	869	578
Capitalization of software development	(755)	(856)
Stock-based compensation	56	491
Total adjustments to GAAP	<u>170</u>	<u>213</u>
Non-GAAP operating income	<u>910</u>	<u>77</u>
GAAP net income	714	52
Total adjustments to GAAP as above	170	213
Non-GAAP net income	<u>884</u>	<u>265</u>
Non-GAAP basic net earnings per share	<u>0.03</u>	<u>0.01</u>
Weighted average number of shares used in computing basic net earnings per share	<u>31,894</u>	<u>31,763</u>
Non-GAAP diluted net earnings per share	<u>0.03</u>	<u>0.01</u>
Weighted average number of shares used in computing diluted net earnings per share	<u>31,947</u>	<u>32,001</u>

MAGIC SOFTWARE ENTERPRISES LTD.
CONSOLIDATED BALANCE SHEETS
U.S. dollars in thousands

	<u>March 31,</u>	<u>December 31,</u>
	2009	2008
	<u>(Unaudited)</u>	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	20,447	27,309
Short-term bank deposits	12,645	1,810
Available for sale marketable securities	2,918	3,469
Trade receivable, net	11,746	13,140
Other accounts receivable and prepaid expenses	2,152	1,933
Current assets of discontinued operations	29	31
Total current Assets	<u>49,937</u>	<u>47,692</u>
LONG-TERM INVESTMENTS:		
Severance pay fund	169	188
Long-term lease deposits	326	290
Total long-term investments	<u>495</u>	<u>478</u>
Property and equipment, net	5,279	5,436
Goodwill	16,267	16,829
Other intangible assets, net	10,542	10,656
TOTAL ASSETS	<u>82,520</u>	<u>81,091</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term credit and current maturities of long term loans	115	147
Trade payables	2,943	2,988
Deferred revenues	4,996	1,643
Accrued expenses and other accounts payable	7,387	8,779
Current liabilities of discontinued operations	355	372
Total current liabilities	<u>15,796</u>	<u>13,929</u>
Long-term loans	77	33
Accrued severance pay	341	374
Total non-current Liabilities	<u>418</u>	<u>407</u>
SHAREHOLDERS' EQUITY	<u>66,306</u>	<u>66,755</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>82,520</u>	<u>81,091</u>