

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

	Three months ended			Six months ended	
	June 30,		March 31,	June 30,	
	2009	2008	2009	2009	2008
	Unaudited			Unaudited	
Revenues	13,595	16,030	13,770	27,365	31,100
Cost of Revenues	6,443	6,784	6,737	13,180	13,568
Gross profit	7,152	9,246	7,033	14,185	17,532
Research and development, net	260	460	339	599	1,021
Selling, general and administrative expenses	5,937	7,188	5,954	11,891	15,049
Total operating expenses, net	6,197	7,648	6,293	12,490	16,070
Operating income	955	1,598	740	1,695	1,462
Financial income (expenses), net	(78)	178	64	(14)	359
Other income (expenses), net	286	(61)	-	286	(18)
Income before taxes on income	1,163	1,715	804	1,967	1,803
Taxes on income	76	51	90	166	75
Income after taxes on income	1,087	1,664	714	1,801	1,728
Minority interest	-	2	-	-	(2)
Equity in losses of affiliates	-	-	-	-	(8)
Net income	1,087	1,666	714	1,801	1,718
Basic net earnings per share	0.03	0.05	0.02	0.06	0.05
Diluted net earnings per share	0.03	0.05	0.02	0.06	0.05
Weighted average number of shares used in computing net earnings per share					
Basic	31,894	31,732	31,894	31,894	31,677
Diluted	32,009	32,047	31,938	31,973	31,978

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		Six months ended	
	June 30,		June 30,	
	2009	2008	2009	2008
	Unaudited		Unaudited	
GAAP operating income	955	1,598	1,695	1,462
Amortization of intangibles	881	512	1,750	1,050
Capitalization of software development	(830)	(754)	(1,585)	(1,610)
Stock-based compensation	69	89	125	580
Total adjustments to GAAP	120	(153)	290	20
Non-GAAP operating income	1,075	1,445	1,985	1,482
GAAP net income	1,087	1,666	1,801	1,718
Total adjustments to GAAP as above	120	(153)	290	20
Non-GAAP net income	1,207	1,513	2,091	1,738
Non-GAAP basic net earnings per share	0.04	0.05	0.07	0.05
Weighted average number of shares used in computing basic net earnings per share	31,894	31,732	31,894	31,677
Non-GAAP diluted net earnings per share	0.04	0.05	0.07	0.05
Weighted average number of shares used in computing diluted net earnings per share	32,123	32,047	32,035	31,978

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

	<u>June 30,</u> <u>2009</u> (Unaudited)	<u>December 31,</u> <u>2008</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	20,792	27,309
Short-term bank deposits	13,457	1,810
Available for sale marketable securities	2,594	3,469
Trade receivable, net	12,882	13,140
Other accounts receivable and prepaid expenses	2,807	1,933
Current assets of discontinued operation	31	31
Total current Assets	<u>52,563</u>	<u>47,692</u>
LONG-TERM INVESTMENTS:		
Severance pay fund	367	316
Long-term lease deposits	268	235
Total long-term investments	<u>635</u>	<u>551</u>
Property and equipment, net	4,999	5,436
Goodwill	16,505	16,829
Other intangible assets, net	10,490	10,656
TOTAL ASSETS	<u>85,192</u>	<u>81,164</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term credit and current maturities of long term loans	89	147
Trade payables	3,175	2,988
Deferred revenues	6,014	1,643
Accrued expenses and other accounts payable	6,823	8,691
Current liabilities of discontinued operation	377	372
Total current liabilities	<u>16,478</u>	<u>13,841</u>
Long-term loans	31	33
Accrued severance pay	568	535
Total non-current Liabilities	<u>599</u>	<u>568</u>
SHAREHOLDERS' EQUITY	<u>68,115</u>	<u>66,755</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>85,192</u>	<u>81,164</u>