

MAGIC SOFTWARE ENTERPRISES LTD.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
U.S. Dollars in thousands (except per share data)

	Three months ended December 31,		Year ended December 31,	
	2024	2023	2024	2023
	Unaudited		Unaudited	
Revenues	\$ 142,582	\$ 125,545	\$ 552,520	\$ 535,052
Cost of Revenues	100,627	88,585	395,342	382,065
Gross profit	41,955	36,960	157,178	152,987
Research and development, net	3,988	2,703	12,661	10,328
Selling, marketing and general and administrative expenses	21,267	21,274	83,280	85,551
Total operating expenses	25,255	23,977	95,941	95,879
Operating income	16,700	12,983	61,237	57,108
Financial expenses, net	(1,999)	(1,899)	(6,242)	(4,616)
Income before taxes on income	14,701	11,084	54,995	52,492
Taxes on income	2,286	1,724	11,328	9,934
Net income	\$ 12,415	\$ 9,360	\$ 43,667	\$ 42,558
Share of loss of a company accounted for at equity, net	(108)	(56)	(376)	(56)
Net income attributable to non-controlling interests	(1,685)	(821)	(6,408)	(5,471)
Net income attributable to Magic's shareholders	\$ 10,622	\$ 8,483	\$ 36,883	\$ 37,031
Weighted average number of shares used in computing net earnings per share				
Basic	49,099	49,099	49,099	49,096
Diluted	49,099	49,099	49,099	49,098
Basic and diluted earnings per share attributable to Magic's shareholders	\$ 0.22	\$ 0.17	\$ 0.75	\$ 0.75

MAGIC SOFTWARE ENTERPRISES LTD.
RECONCILIATION OF GAAP AND NON-GAAP RESULTS
U.S. Dollars in thousands (except per share data)

	Three months ended		Year ended	
	December 31,		December 31,	
	2024	2023	2024	2023
	Unaudited		Unaudited	
GAAP gross profit	\$ 41,955	\$ 36,960	\$ 157,178	\$ 152,987
Amortization of capitalized software and acquired technology	949	1,222	4,214	4,288
Amortization of other intangible assets	315	447	1,250	1,173
Non-GAAP gross profit	\$ 43,219	\$ 38,629	\$ 162,642	\$ 158,448
GAAP operating income	\$ 16,700	\$ 12,983	\$ 61,237	\$ 57,108
Gross profit adjustments	1,264	1,869	5,464	5,461
Amortization of other intangible assets	2,219	1,888	7,810	7,988
Increase (decrease) in valuation of contingent consideration related to acquisitions	(1,136)	(142)	(488)	240
Capitalization of software development	(443)	(842)	(2,650)	(3,183)
Costs related to acquisitions	268	152	602	372
Cost of share-based payment	(119)	1,967	1,597	3,798
Non-GAAP operating income	\$ 18,753	\$ 17,675	\$ 73,572	\$ 71,784
GAAP net income attributable to Magic's shareholders	\$ 10,622	\$ 8,483	\$ 36,883	\$ 37,031
Operating income adjustments	2,053	4,692	12,335	14,676
Expenses attributed to non-controlling interests and redeemable non-controlling interests	(477)	(709)	(1,791)	(1,713)
Increase in valuation of consideration related to acquisitions	529	34	761	290
Deferred taxes on the above items	(1,187)	(899)	(2,538)	(1,879)
Non-GAAP net income attributable to Magic's shareholders	\$ 11,540	\$ 11,601	\$ 45,650	\$ 48,405
Non-GAAP basic and diluted net earnings per share	<u>\$ 0.24</u>	<u>\$ 0.24</u>	<u>\$ 0.93</u>	<u>\$ 0.99</u>
Weighted average number of shares used in computing basic net earnings per share	<u>49,099</u>	<u>49,099</u>	<u>49,099</u>	<u>49,096</u>
Weighted average number of shares used in computing diluted net earnings per share	<u>49,099</u>	<u>49,099</u>	<u>49,099</u>	<u>49,098</u>

Summary of Non-GAAP Financial Information
U.S. Dollars in thousands (except per share data)

	Three months ended				Year ended			
	December 31,				December 31,			
	2024		2023		2024		2023	
	Unaudited		Unaudited		Unaudited		Unaudited	
Revenues	\$142,582	100.0%	\$125,545	100.0%	\$ 552,520	100%	\$535,052	100%
Gross profit	43,219	30.3%	38,629	30.8%	162,642	29.4%	158,448	29.6%
Operating income	18,753	13.2%	17,675	14.1%	73,572	13.3%	71,784	13.4%
Net income attributable to Magic's shareholders	11,540	8.1%	11,601	9.2%	45,650	8.3%	48,405	9.0%
Basic and diluted earnings per share	\$ 0.24		\$ 0.24		\$ 0.93		\$ 0.99	

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

	<u>December 31,</u> <u>2024</u> <u>Unaudited</u>	<u>December 31,</u> <u>2023</u> <u>Unaudited</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 112,779	\$ 105,943
Short-term bank deposits	51	751
Trade receivables, net	139,569	131,098
Other accounts receivable and prepaid expenses	23,800	18,833
Total current assets	<u>276,199</u>	<u>256,625</u>
LONG-TERM ASSETS:		
Deferred tax assets	4,895	6,729
Right-of-use assets	24,707	25,718
Other long-term receivables and investments in companies accounted for at equity	9,261	8,623
Property and equipment, net	7,467	7,988
Intangible assets and goodwill, net	217,802	216,723
Total long term assets	<u>264,132</u>	<u>265,781</u>
TOTAL ASSETS	<u>\$ 540,331</u>	<u>\$ 522,406</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Short-term debt	\$ 23,169	\$ 28,941
Trade payables	28,920	28,415
Dividend payable to Magic Software shareholders	11,587	-
Accrued expenses and other accounts payable	58,042	41,492
Current maturities of lease liabilities	4,818	4,406
Liability in respect of business combinations	2,654	6,656
Put options of non-controlling interests	20,066	18,252
Deferred revenues and customer advances	21,031	13,537
Total current liabilities	<u>170,287</u>	<u>141,699</u>
LONG TERM LIABILITIES:		
Long-term debt	36,125	52,267
Deferred tax liability	7,848	11,610
Long-term lease liabilities	22,040	23,101
Long-term liability in respect of business combinations	1,781	1,049
Put options of non-controlling interests	-	620
Accrued severance pay, net	1,181	1,116
Total long term liabilities	<u>68,975</u>	<u>89,763</u>
EQUITY:		
Magic Software Enterprises shareholders' equity	277,190	265,981
Non-controlling interests	23,879	24,963
Total equity	<u>301,069</u>	<u>290,944</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 540,331</u>	<u>\$ 522,406</u>

MAGIC SOFTWARE ENTERPRISES LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
U.S. Dollars in thousands

	Year ended December 31,	
	2024	2023
	Unaudited	
Cash flows from operating activities:		
Net income	\$ 43,291	\$ 42,502
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	20,823	20,553
Cost of share-based payment	1,607	3,798
Change in deferred taxes, net	(1,564)	(3,238)
Payments of deferred and contingent consideration related to acquisitions	(922)	(6,572)
Capital gain on sale of fixed assets	7	(42)
Amortization of premium and accrued interest on debt instruments at fair value through other comprehensive income	(27)	(114)
Effect of exchange rate on of cash and cash equivalents held in currencies other than the functional currency	(82)	285
Changes in value of short-term and long-term loans from banks and others and deposits, net	(676)	1,533
Working capital adjustments:		
Trade receivables	(4,339)	18,426
Other current and long-term accounts receivable	(4,990)	(5,586)
Trade payables	677	858
Accrued expenses and other accounts payable	13,279	(7,190)
Deferred revenues	7,609	3,779
Net cash provided by operating activities	74,693	68,992
Cash flows from investing activities:		
Payments for business acquisitions, net of cash acquired (Appendix A)	(12,507)	(14,244)
Loans to related party	-	909
Proceeds from sale of property, plant and equipment	45	54
Payments to former shareholders of consolidated company	-	(583)
Cash paid in conjunction with deferred payments and contingent liabilities related to business combination:	(6,631)	(11,320)
Purchase of property and equipment	(1,535)	(1,618)
Change in marketable securities	585	(1,243)
Change in short-term and long-term deposits	482	4,110
Capitalization of software development	(2,650)	(3,183)
Investment in a company accounted for at equity	(198)	(498)
Net cash used in investing activities	(22,409)	(27,616)
Cash flows from financing activities:		
Exercise of employees' stock options	-	22
Dividend paid to non-controlling interests	(7,870)	(4,055)
Dividend to Magic's shareholders	(10,016)	(30,798)
Repayment of long-term loans from banks and others	(33,695)	(20,994)
Receipt of long-term loans from banks and others	12,603	49,465
Repayment of lease liabilities	(6,029)	(5,690)
Purchase of non-controlling interest	(314)	-
Proceeds from sale of non-controlling interest	176	-
Cash paid due to exercise of put option by non-controlling interests	-	(5,243)
Net cash used in financing activities	(45,145)	(17,293)
Effect of exchange rate changes on cash and cash equivalents	(303)	(1,202)
Increase in cash and cash equivalents	6,836	22,881
Cash and cash equivalents at the beginning of the period	105,943	83,062
Cash and cash equivalents at end of the period	\$ 112,779	\$ 105,943