



OUTPERFORM THE FUTURE™

Financial Fact Sheet

Q4 and Full Year 2016
NASDAQ, TASE: MGIC

About Magic

Magic Software Enterprises Ltd. is a global provider of enterprise-grade application development and business process integration software solutions as well as a broad range of integration and IT professional services.

Magic's software solutions are used by thousands of enterprises, ISVs and implementation partners to develop, deploy and integrate on-premise, mobile and cloud-based business applications. By enabling enterprises to leverage existing IT systems and get to market quickly with new applications, Magic customers can dramatically improve operational efficiency and innovation with a high return on investment. Magic's integration and IT project management and staffing augmentation services enable enterprises to implement all types of IT projects, from complex to simple, quickly and efficiently.

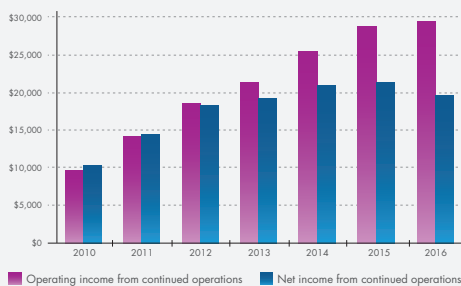
Magic solutions are backed by over 30 years of experience, millions of installations, and strategic alliances with global mobile and IT leaders, including Samsung, IBM, Microsoft, Oracle, Salesforce.com, Sage, SugarCRM, SYSPRO and SAP. With a presence in more than 50 countries, including 24 regional offices, we collaborate closely with our customers and thousands of business partners to accelerate their business performance.

Income Statement Highlights Non-GAAP (US\$, in millions)

	Q4/2016	Q4/2015	YOY%	2016	2015	YOY%	2014
Revenues	55.1	47.9	15%	201.6	176.0	15%	164.3
Operating Income	7.3	7.4	(1%)	28.2	27.2	4%	25.9
Net Income	4.3	5.6	(24%)	19.6	21.7	(10%)	20.5

Income Highlights (Non-GAAP)

(US\$, in thousands)



Balance Sheet Highlights

(US\$, in millions)

	31/12/2016
Total Cash*	87.8
Total Assets	317.0
Total Equity	196.9

* Including cash and cash equivalents, short-term bank deposits and short-term investments in marketable securities

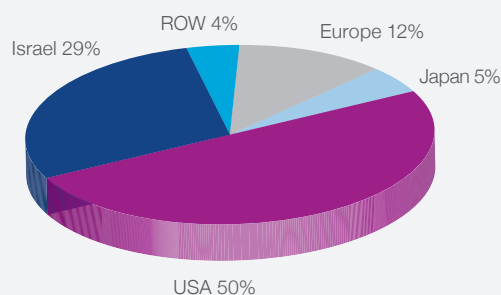
2016 YTD Cash Flow Overview

(US\$, in millions)

Total Cash 31/12/2015*	76.7
Dividend Distribution	(7.8)
Investment in Subsidiaries	(31.8)
Net Cash Provided by Operations	23.6
Change in Bank Loans and Other Deposits	31.1
Dividend Paid to Non-Controlling Interests	(1.9)
Other	(2.1)
Total Cash 31/12/2016*	87.8

* Including cash and cash equivalents, short-term bank deposits and short-term investments in marketable securities

Revenues by Geography - 2016



Customers

Able B.V.
adidas Canada
Adecco Nederland
Agricultural Bank of China
Allstate Life Insurance
AutoScout24
Bank Leumi
BNP Paribas
Boston Medical Center
Celebi Ground Handling
Christie Digital
Club Med
Coca Cola Brazil
Crane & Co
Datenlotsen
Ekro
Euroclear
Fiskars
FMRP
Fujitsu-Marketing
Fukushima Bank
GE Capital
Grange Insurance
Guardian Life Insurance
Hitachi Systems
IDF
ING Commercial
Japan Chamber of Commerce
L'Occitane
Mahindra & Mahindra
Mitsubishi
Mundipharma
NHS Trust
Nintendo
Orangina Schweppes
Pacific Steel
Petzl
Rosenbauer
Segafredo Zanetti France
Sennheiser
Sheba Medical Center
Sony DADC
Stallergenes
State of Washington Courts
Sterling Crane
Sun Life Insurance
TOTO
UPS
Vishay Intertechnology
Vodafone Iceland
Volvo Brazil
WellMark

Q4 and Full Year 2016 Highlights

• Strong Financial Performance

- Strong cash position with a healthy total cash balance of approximately \$87.8 million as of December 31, 2016.
- Operating cash flow for the 12 months ended December 31, 2016 reached a record \$28.1 million.
- Revenues for Q4 2016 increased 15% to \$55.1 million. Annual revenues for 2016 increased 15% to a record-breaking \$201.6 million.
- Non-GAAP operating income for Q4 2016 decreased 1% to \$7.3 million compared to \$7.4 million in the same period last year. Operating income for Q4 2016 decreased 13% to \$4.3 million compared to \$5.0 million in the same period last year. Operating income was negatively impacted by a \$0.8 million increase in the valuation of contingent consideration related to acquisitions of acquired operations that outperformed their targets.
- Non-GAAP net income for Q4 2016 decreased 24% to \$4.3 million compared to \$5.6 million in the same period last year.
- Net income for Q4 2016 decreased 97% to \$0.1 million compared to \$3.7 million in the same period last year. Net income was negatively impacted by an increase of \$3.1 million in valuation of contingent considerations related to acquisitions and by an increase in value of put options for redeemable non-controlling interests related to acquired operations that outperformed their targets.
- Cash dividend for H2 2016 of approximately \$3.8 million (or \$0.085 per share) announced on February 22, 2017. Cash dividend for H1 2016 of approximately \$3.8 million (or \$0.085 per share) paid on September 22, 2016. Cash dividend for H2 2015 of approximately \$4.0 million (or \$0.09 per share) paid on March 17, 2016. Cash dividend for H1 2015 of approximately \$4.2 million (or \$0.095 per share) paid on September 10, 2015.
- Dividend policy provides distribution of up to 50% of annual distributable profits. Cumulative dividend distribution of approximately \$35.8 million between 2012 and 2016 year to date.

• Exceptional Product Offering

- Robust application development and integration platforms that enable enterprises and ISVs to accelerate cloud and mobile solutions
- Highly productive and agile environment for rapid development and deployment of multi-channel enterprise-grade applications
- Certified and native connectors to integrate with and mobilize virtually all enterprise systems (CRM, ERP, Finance, HR, Warehouse Management System, Documentation Management, Website, etc.)
- Highly scalable, secure and future-proof technology
- Integration and consulting services for highly complex end-to-end IT projects
- Expert project management and IT staffing augmentation services

• Leadership and Corporate Vision

- Strong and talented management team focused on efficiency and growth
- Corporate culture of openness, ingenuity, and forward-looking determination
- Clear strategic mission
- Close collaboration with customers to enhance and accelerate business performance

• Global Industry Recognition

- 30 years of enterprise application development and integration experience
- Millions of successful installations worldwide
- Listed in the NASDAQ Global Select Market and the Tel-Aviv Stock Exchange TA-75
- Israel-based company with a presence in over 50 countries, including 24 worldwide offices across North America, Europe, Japan, India, South Africa and Israel
- Global network of thousands of ISVs, system integrators, and value-added distributors and resellers
- Strategic partnerships with leading global enterprise mobility and enterprise software ecosystem vendors, including Samsung, SAP, Salesforce.com, IBM, Microsoft, Sage, SugarCRM, SYSPRO, ServiceMax, MicroStrategy and Oracle

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