

## FORM 6-K

### SECURITIES AND EXCHANGE COMMISSION Washington D.C. 20549

Report of Foreign Private Issuer  
Pursuant to Rule 13a-16 or 15d-16 Under  
The Securities Exchange Act of 1934

For the month of February, 2011

Commission File Number: 0-19415

### **MAGIC SOFTWARE ENTERPRISES LTD.**

(Translation of Registrant's Name into English)

**5 HaPlada Street, Or-Yehuda, Israel 60218**  
(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F:

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by RegulationS-T Rule 101(b)(1): N/A

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by RegulationS-T Rule 101(b)(7): N/A

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes  No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- N/A

### CONTENTS

This report on Form 6-K of MAGIC SOFTWARE ENTERPRISES Ltd. consists of the following documents, which are attached hereto and incorporated by reference herein:

1. Magic Software Reports Record Results for Q4 and Full Year 2010

## PRESS RELEASE

# Magic Software Reports Record Results for Q4 and Full Year 2010

### **Magic Software More than Doubles its Year-over-Year Annual Income and Reports Annual Operating Cash Flow of \$11.7 Million**

**Or-Yehuda, Israel, February 2, 2011** – Magic Software Enterprises Ltd. (NASDAQ: MGIC), a global provider of application platforms and business and process integration solutions, today announced its financial results for the fourth quarter and full year ended December 31, 2010.

#### **Financial Highlights for the Fourth Quarter**

- Fourth quarter revenues increased 73% year over year to \$25.0 million from \$14.5 million;
- Operating income for the fourth quarter reached \$3.0 million, compared to \$1.8 million in the same period last year (excluding a \$2.0 million one-time capital gain from the sale of the Company's headquarters office building);
- Net income for the fourth quarter reached \$3.1 million, compared to \$1.5 million in the same period last year (excluding a \$2.0 million one-time capital gain from the sale of the Company's headquarters office building);

#### **Financial Highlights for the Full Year Ended December 31, 2010**

- Operating cash flow for the year ended December 31, 2010 more than doubled to \$11.7 million compared to \$4.5 million in 2009;
- Revenues for the year reached \$88.6 million, an increase of 60%, compared to \$55.4 million in 2009;
- Operating income for 2010 more than doubled to \$9.3 million, compared to \$4.3 million in 2009 (excluding a \$2.0 million one-time capital gain from the sale of the Company's headquarters office building);
- Net income for 2010 increased 52% year over year to \$9.4 million from \$6.2 million;

#### **Results**

For the fourth quarter ended December 31, 2010, total revenues were \$25.0 million, with net income of \$3.1 million, or \$0.09 per fully diluted share. This compares with revenues of \$14.5 million and net income of \$1.5 million, or \$0.05 per fully diluted share (excluding a \$2.0 million one-time capital gain from the sale of the Company's headquarters office building or \$0.06 per fully diluted share), for the same period last year.

Operating income was \$3.0 million, or \$0.09 per fully diluted share, for the fourth quarter of 2010. This compares to operating income of \$1.8 million, or \$0.05 per fully diluted share, for the same period a year ago (excluding a \$2.0 million one-time capital gain from the sale of the Company's headquarters office building or \$0.06 per fully diluted share).

For the year ended December 31, 2010, total revenues were \$88.6 million, with net income of \$9.4 million, or \$0.29 per fully diluted share. This compares with revenues of \$55.4 million and net income of \$4.2 million, or \$0.13 per fully diluted share, for the same period last year (excluding a \$2.0 million one- time capital gain from the sale of the Company's headquarters office building or \$0.06 per fully diluted share).

Operating income was \$9.3 million, or \$0.29 per fully diluted share, for the year ended December 31, 2010. This compares to operating income of \$4.3 million, or \$0.13 per fully diluted share, for the same period a year ago (excluding a \$2.0 million one-time capital gain from the sale of the Company's headquarters office building).

Total cash, cash equivalents and short-term investments as of December 31, 2010 amounted to \$46.5 million.

#### **Comments of Management**

Commenting on the results, Guy Bernstein, acting chief executive officer of Magic Software, said: "2010 has been a strong year for Magic Software. We demonstrated excellent performance throughout all of our regions and major businesses, resulting in impressive double-digit growth at the top and bottom lines.

"Our strong financial position, coupled with our 2010 activities in promoting and growing new markets, will continue the Company's momentum into 2011, where we see opportunity to expand both organically and through acquisitions. We stand ready to meet an increase in demand for our products, especially in the rapidly evolving arenas of mobile and cloud computing solutions," concluded Mr. Bernstein.

#### **Non-GAAP Financial Measures**

This release includes non-GAAP operating income, net income, basic and diluted earnings per share and other non-GAAP financial measures. These non-GAAP measures exclude the following items:

- Amortization of purchased intangible assets;
- In-process research and development capitalization and amortization and;
- Equity-based compensation expense.

Magic Software's management believes that the presentation of non-GAAP measures provides useful information to investors and management regarding financial and business trends relating to the Company's financial condition and results of operations as well as the net amount of cash generated by its business operations after taking into account capital spending required to maintain or expand the business.

These non-GAAP financial measures are not in accordance with, or an alternative for, generally accepted accounting principles and may be different from non-GAAP financial measures used by other companies. In addition, these non-GAAP financial measures are not based on any comprehensive set of accounting rules or principles. Magic Software believes that non-GAAP financial measures have limitations in that they do not reflect all of the amounts associated with Magic Software's results of operations as determined in accordance with GAAP and that these measures should only be used to evaluate Magic Software's results of operations in conjunction with the corresponding GAAP measures.

Please refer to the Reconciliation of Selected Financial Metrics from GAAP to Non-GAAP tables below.

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#### **About Magic Software**

Magic Software Enterprises Ltd. (NASDAQ: MGIC) is a global provider of cloud and on-premise application platform and business integration solutions. Magic Software has 14 offices worldwide and a presence in more than 50 countries with a global network of ISVs, system integrators, value-added distributors and resellers, as well as consulting and OEM partners. The Company's award-winning, code-free solutions give partners and customers the power to leverage existing IT resources, enhance business agility and focus on core business priorities. Magic Software has partnerships with global IT leaders including SAP AG, salesforce.com, IBM and Oracle. For more information, visit [www.magicsoftware.com](http://www.magicsoftware.com).

Except for the historical information contained herein, the matters discussed in this news release include forward-looking statements that may involve a number of risks and uncertainties. Actual results may vary significantly based

upon a number of factors including, but not limited to, risks in product and technology development, market acceptance of new products and continuing product conditions, both here and abroad, release and sales of new products by strategic resellers and customers, the integration of newly acquired IT services assets and other risk factors detailed in the Company's most recent annual report and other filings with the Securities and Exchange Commission.

Magic is the trademark of Magic Software Enterprises Ltd. All other trademarks are the trademarks of their respective owners.

**Company Contact:**

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

	Three months ended December 31,		Year ended December 31,	
	2010	2009	2010	2009
	Unaudited	Unaudited		
Revenues	25,027	14,481	88,578	55,350
Cost of Revenues	14,344	6,459	51,448	26,264
<b>Gross profit</b>	<b>10,683</b>	<b>8,022</b>	<b>37,130</b>	<b>29,086</b>
Research and development, net	506	353	2,072	1,310
Selling, marketing and general and administrative expenses	7,165	5,918	25,720	23,518
<b>Total operating costs and expenses</b>	<b>7,671</b>	<b>6,271</b>	<b>27,792</b>	<b>24,828</b>
<b>Operating income</b>	<b>3,012</b>	<b>1,751</b>	<b>9,338</b>	<b>4,258</b>
Other income from sale of office building	-	1,972	-	1,972
<b>Operating income including other income</b>	<b>3,012</b>	<b>3,723</b>	<b>9,338</b>	<b>6,230</b>
Financial income (expenses), net	60	98	(224)	238
Other income (expenses), net	11	(181)	159	42
<b>Income before taxes on income</b>	<b>3,083</b>	<b>3,640</b>	<b>9,273</b>	<b>6,510</b>
Taxes on income	-	167	(102)	334
<b>Net income</b>	<b>3,083</b>	<b>3,473</b>	<b>9,375</b>	<b>6,176</b>
Net earnings per share attributable to Magic Software:				
Basic	0.10	0.11	0.29	0.19
Diluted	0.09	0.11	0.29	0.19
Weighted average number of shares used in computing net earnings per share				
Basic	32,578	31,915	32,139	31,899
Diluted	33,470	32,314	32,731	32,107

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

	Three months ended December 31,		Year ended December 31,	
	2010	2009	2010	2009
	Unaudited	Unaudited		
GAAP operating income	3,012	1,751	9,338	4,258
Amortization of capitalized software and other intangible assets	1,224	950	3,940	3,650
Capitalization of software development	(1,245)	(772)	(3,595)	(3,128)
Stock-based compensation	135	(59)	300	130
Total adjustments to GAAP	114	119	645	652
Non-GAAP operating income	<u>3,126</u>	<u>1,870</u>	<u>9,983</u>	<u>4,910</u>
GAAP net income	3,083	3,473	9,375	6,176
Total adjustments to GAAP as above	114	119	645	652
Non-GAAP net income	<u>3,197</u>	<u>3,592</u>	<u>10,020</u>	<u>6,828</u>
Non-GAAP basic net earnings per share	0.10	0.11	0.31	0.21
Weighted average number of shares used in computing basic net earnings per share	<u>32,578</u>	<u>31,915</u>	<u>32,139</u>	<u>31,899</u>
Non-GAAP diluted net earnings per share	0.10	0.11	0.31	0.21
Weighted average number of shares used in computing diluted net earnings per share	<u>33,625</u>	<u>32,371</u>	<u>32,806</u>	<u>32,179</u>

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

	<b>December 31, 2010</b>	<b>December 31, 2009</b>		
	(Unaudited)			
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	43,661	24,350		
Short-term bank deposits	24	13,838		
Available-for-sale marketable securities	2,857	3,680		
Trade receivables, net	17,801	12,004		
Other accounts receivable and prepaid expenses	3,768	3,869		
Current assets of discontinued operation	-	27		
<b>Total current assets</b>	<b>68,111</b>	<b>57,768</b>		
<b>LONG-TERM RECEIVABLES:</b>				
Severance pay fund	325	404		
Other long-term receivables	1,473	749		
<b>Total other long-term receivables</b>	<b>1,798</b>	<b>1,153</b>		
PROPERTY AND EQUIPMENT, NET	1,827	1,762		
IDENTIFIABLE INTANGIBLE ASSETS AND GOODWILL, NET	39,285	26,868		
<b>TOTAL ASSETS</b>	<b>111,021</b>	<b>87,551</b>		
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES:</b>				
Short-term credit and current maturities of long term loans	9	43		
Trade payables	2,889	2,662		
Accrued expenses and other accounts payable	14,204	25,159		
Deferred revenues	1,526	1,569		
Current liabilities of discontinued operation	-	314		
<b>Total current liabilities</b>	<b>18,628</b>	<b>29,747</b>		
<b>NON-CURRENT LIABILITIES:</b>				
Long-term loans	2	10		
Liability due to acquisition activities	2,990	-		
Accrued severance pay	536	606		
<b>Total non-current liabilities</b>	<b>3,528</b>	<b>616</b>		
<b>EQUITY</b>	<b>88,865</b>	<b>57,188</b>		
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>111,021</b>	<b>87,551</b>		

## **SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 2, 2011

Magic Software Enterprises Ltd

By: /s/ Amit Birk

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Amit Birk  
VP, General Counsel

**EXHIBIT INDEX**

Exhibit Number Description of Exhibit

**10.1** Magic Software Reports Record Results for Q4 and Full Year 2010

**Exhibit 10.1**