Matrix IT Ltd.

Periodic Report

2025

The information contained in these Description of the Corporation`s Business published by the Company constitutes a translation of the Description of the Corporation`s Business published by the Company. The Hebrew version was submitted by the Company to the relevant authorities pursuant to Israeli law, and represents the binding version and the only one having legal effect. This translation was prepared for convenience purposes only.

Matrix IT Ltd.

Periodic Report

2025

The information contained in these Description of the Corporation`s Business published by the Company constitutes a translation of the Description of the Corporation`s Business published by the Company. The Hebrew version was submitted by the Company to the relevant authorities pursuant to Israeli law, and represents the binding version and the only one having legal effect. This translation was prepared for convenience purposes only.

Table of Contents

Chapter A - Description of the Corporation's Business

Chapter B - Board of Directors' Report

Chapter C - Financial Statements

Chapter A

Description of the Corporation's Business

Table of Contents

1.	Matrix Operations and Business Development	5
2.	Segments of Operations	8
3.	Investments in Matrix's Equity and transactions in its shares	10
4.	Dividend Distribution	10
5.	Financial Information Regarding Matrix Segments of Operations	11
6.	General environment and the effect of outside factors	12
7.	Description of Matrix's Operations by Segment	20
7.1.	IT Solutions and Services, Consulting, and Management in Israel	20
7.2.	IT Solutions and Services in the US	32
7.3.	Marketing and Support of Software Products	36
7.4.	Cloud and Computing Infrastructures	42
8.	Backlog	49
9.	Seasonality	52
10.	Property, Plant, and Equipment, Real Estate and Facilities	53
11.	Human Capital	54
12.	Working Capital	58
13.	Financing	59
14.	Taxation	61
15.	Restrictions and Supervision of Matrix's Operations	61
16.	Legal Proceedings	63
17.	Goals and Business Strategy	64
18.	Financial Information by Geographic Areas	67
19.	Discussion of Risk Factors	67
20.	Events after the Reporting Date – Magic	77
21.	Glossary	81

1. Matrix Operations and Business Development

1.1. General

Matrix IT Ltd. (the "Company"),[1] together with its subsidiaries, is a company operating in the fields of information technology (IT) solutions and services, consulting and management in Israel and abroad.

The Matrix Group employs approximately 12,880 software, hardware, engineering, integration and training professionals, providing advanced IT and management services to hundreds of clients in the Israeli market, as well as to clients in the US market, with specialization in the banking and finance, government and public sector, defense, transportation, Hi-Tech and startups, healthcare, industry, retail and commerce, and education and academia sectors. The Group also engages in selling and marketing software and hardware products from a wide range of domestic and international manufacturers, as well as providing consulting services, project management and multidisciplinary engineering consulting. The solutions, services and products provided by the Group are designed to enhance the competitiveness of its clients in the markets in which they operate, by addressing their unique needs in IT, operational efficiency, and management and engineering.

1.2. Substantial purchase or sale of assets

1.2.1. On 1 January 2023, the Company completed the acquisition of Zebra A.G.R Ltd. ("Zebra"), which specializes in the distribution of software solutions and products in the fields of cybersecurity and data communication. See Note 3a to the financial statements for details.

1.2.2. On 13 November 2024, the Company, through its subsidiary Matrix Holding US LLC, completed the acquisition of 51% of the interests in Alacer, which is engaged in providing advisory services and expert supply in the area of Governance, Regulation & Compliance, within the American financial market. See Note 3b to the financial statements.

1.2.3. On 3 December 2024, the Company completed the acquisition of Moshe Ortec Holdings Ltd., which holds Ortec Marketing, Equipment & Supply Ltd. (“Ortec”) which imports, distributes, sells and provides support and characterization services for automatic manufacturing machines used for component assembly, as well as automated inspection machines used for assembly processes and components on production lines in the fields of industry equipment, medical devices, military equipment, lasers, and sensors for civilian and security applications, optical communication systems, radar systems for cars. Additionally, it serves as a representative in Israel for dozens of international manufacturers. For further details, see Note 3c to the financial statements.

1.2.4. After the reporting date, on 4 February 2025, the Company completed the acquisition of Gav Systems Ltd. and Gav Expert Ltd. ("Gav"), which provide outsourcing services, primarily for IT and software professionals.

For further details, see Note 3d to the financial statements.

---

[1] The Company was incorporated in Israel on 12 September 1989 and is a publicly traded company whose shares were listed for trade on the Tel Aviv Stock Exchange in May of 1993.

1.2.5. Merger with Magic Software Enterprises Ltd.

Further to the Company's immediate reports dated March 11, 2025 (Ref: 2025-01-015939) and November 3, 2025 (Ref: 2025-01-083233) regarding the execution of a merger agreement between the Company and Magic Software Enterprises Ltd. ("Magic"), on February 24, 2026, the transaction was completed following the fulfillment of the conditions precedent set forth in the merger agreement. For further details regarding the completion of the transaction, see the Company's immediate report dated February 24, 2026 (Ref: 2026-01-017311).

Under the merger, which was carried out as a reverse triangular merger, the Company acquired the entire issued and paid-up share capital of Magic, in consideration for the allotment of shares of the Company to Magic's shareholders at a ratio constituting approximately 31.125% of the Company's issued and paid-up share capital on a fully diluted basis,2 and from the date of completion of the merger, Magic became a wholly owned (100%) subsidiary of the Company. Upon completion of the transaction, Magic's shares were delisted from trading on Nasdaq and on the Tel Aviv Stock Exchange, and Magic ceased to be a public company.

For a description of the principal terms of the transaction and of the merger agreement, see the aforementioned immediate reports.

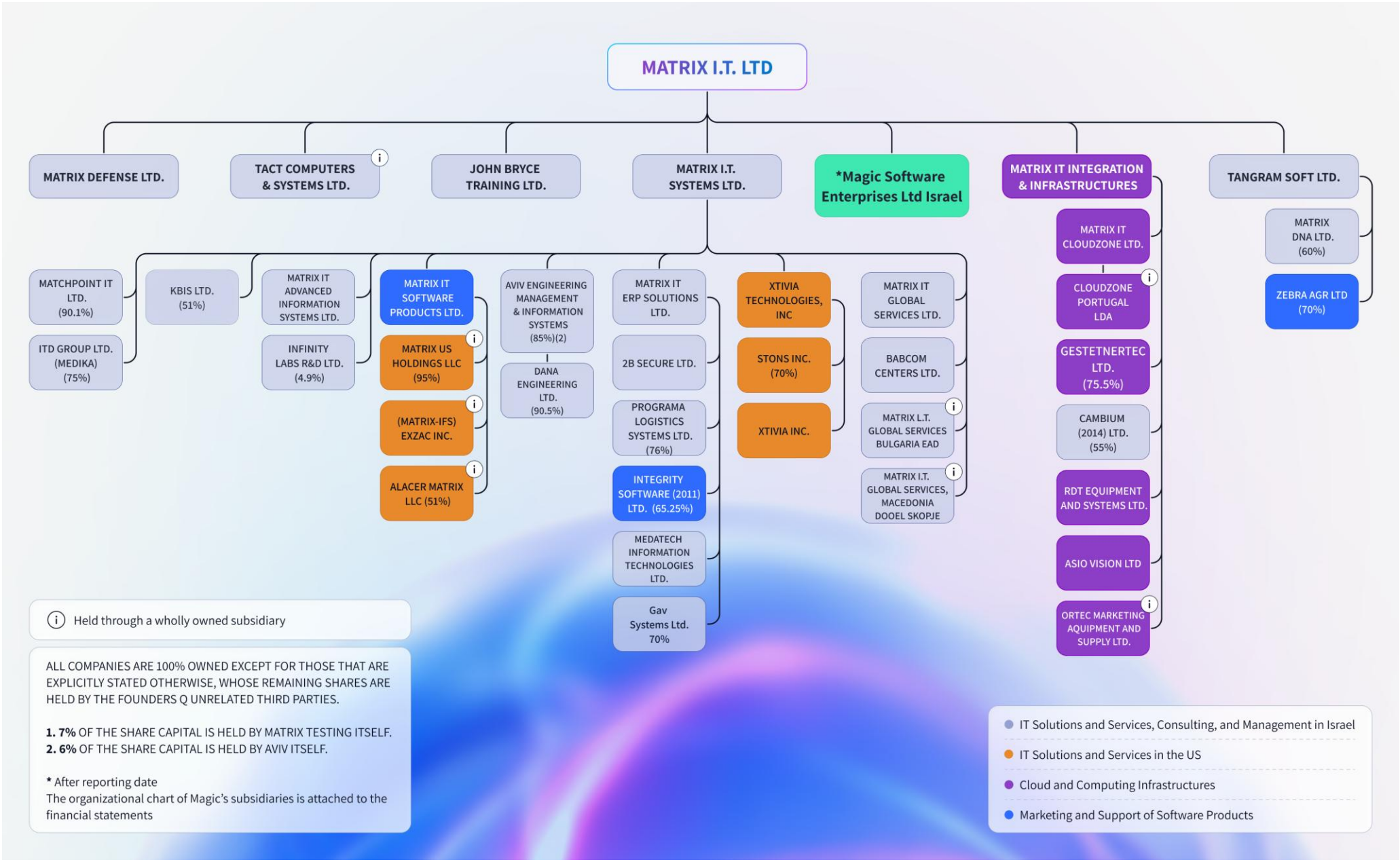
For a description of Magic and its business activities, see Magic's business outline, prepared in accordance with the First Schedule to the Securities Regulations (Details of the Prospectus and Draft Prospectus – Structure and Form), 1969 (the "Magic Description"), which also includes the explanations of Magic's Board of Directors, and Magic's financial statements as of December 31, 2024 and June 30, 2025, which were attached to the notice convening the general meeting and are incorporated herein by reference, as well as Section 20 of this report.

1.3. Holding structure

The following is a diagram of the Company's holdings in the Matrix Group[3] as of the date of the Company's annual report for 2025 (the "Report"), classified by segments of operations:

[2] For this purpose, the "issued and paid-up share capital of the Company on a fully diluted basis" means the issued and paid-up share capital of the Company as it will be at the end of the seventh trading day preceding the completion date of the transaction (the "Calculation Date"), assuming, on a theoretical basis, the exercise of all options that will be outstanding in the Company's capital on the Calculation Date, with the number of shares to be allotted as a result of such exercise calculated according to the Exercise-Net method based on the closing price on the stock exchange of each share of the Company on the Calculation Date.

[3] The chart includes material and additional companies. It is clarified that, in addition to its holdings in the companies shown in the chart, the Company also holds interests in other companies.


MATRIX I.T. LTD
MATRIX DEFENSE LTD.
TACT COMPUTERS & SYSTEMS LTD.
JOHN BRYCE TRAINING LTD.
MATRIX I.T. SYSTEMS LTD.
*Magic Software Enterprises Ltd Israel
MATRIX IT INTEGRATION & INFRASTRUCTURES
TANGRAM SOFT LTD.
MATCHPOINT IT LTD. (90.1%)
ITD GROUP LTD. (MEDIKA) (75%)
KBIS LTD. (51%)
MATRIX IT ADVANCED INFORMATION SYSTEMS LTD.
INFINITY LABS R&D LTD. (4.9%)
MATRIX IT SOFTWARE PRODUCTS LTD.
MATRIX US HOLDINGS LLC (95%)
(MATRIX-IFS) EXZAC INC.
ALACER MATRIX LLC (51%)
AVIV ENGINEERING MANAGEMENT & INFORMATION SYSTEMS (85%)(2)
DANA ENGINEERING LTD. (90.5%)
MATRIX IT ERP SOLUTIONS LTD.
2B SECURE LTD.
PROGRAMA LOGISTICS SYSTEMS LTD. (76%)
INTEGRITY SOFTWARE (2011) LTD. (65.25%)
MEDATECH INFORMATION TECHNOLOGIES LTD.
Gav Systems Ltd. 70%
XTIVIA TECHNOLOGIES, INC
STONS INC. (70%)
XTIVIA INC.
MATRIX IT GLOBAL SERVICES LTD.
BABCOM CENTERS LTD.
MATRIX L.T. GLOBAL SERVICES BULGARIA EAD
MATRIX I.T. GLOBAL SERVICES, MACEDONIA DOOEL SKOPJE
MATRIX IT CLOUDZONE LTD.
CLOUDZONE PORTUGAL LDA
GESTETNERTEC LTD. (75.5%)
CAMBIUM (2014) LTD. (55%)
RDT EQUIPMENT AND SYSTEMS LTD.
ASIO VISION LTD
ORTEC MARKETING AQUIPMENT AND SUPPLY LTD.
MATRIX DNA LTD. (60%)
ZEBRA AGR LTD (70%)
Held through a wholly owned subsidiary
ALL COMPANIES ARE 100% OWNED EXCEPT FOR THOSE THAT ARE EXPLICITLY STATED OTHERWISE, WHOSE REMAINING SHARES ARE HELD BY THE FOUNDERS Q UNRELATED THIRD PARTIES.
1. 7% OF THE SHARE CAPITAL IS HELD BY MATRIX TESTING ITSELF.
2. 6% OF THE SHARE CAPITAL IS HELD BY AVIV ITSELF.
* After reporting date
The organizational chart of Magic's subsidiaries is attached to the financial statements
IT Solutions and Services, Consulting, and Management in Israel
IT Solutions and Services in the US
Cloud and Computing Infrastructures
Marketing and Support of Software Products

2. Segments of Operations

The Group has four (4) segments of operations – (1) IT Solutions and Services, Consulting, and Management in Israel; (2) IT Solutions and Services in the US; (3) Marketing and Support of Software Products; and (4) Cloud and Computing Infrastructures – providing solutions, services and products, primarily to the following client sectors: banking and finance, Hi-Tech and startups, government and public sector, defense, transportation, healthcare, industry, retail and commerce, and education and academia. Within each sector, dedicated departments operate, specializing in the provision of specific solutions to the target client sector in which they operate, and also manage and execute projects for the Company's cross-functional units.

The specialization in the various sectors is reflected in the operational, professional, and marketing aspects of each sector. Accordingly, in each sector, a professional and marketing infrastructure is developed, as required to support that specific sector.

The following is a table of the percentage breakdown of the Company's revenues from its clients, by sectoral affiliation, for all of the Company's operations:

Sector	2024	2025
Banking, finance, and insurance	18.1%	16.7%
Government	18.3%	17%
Hi-Tech	16%	18.2%
Industry, retail, and commerce	13.2%	13.9%
Defense	10.7%	11.9%
Transportation	6.1%	5.7%
Healthcare	6.7%	6.6%
Communications	2.8%	2.7%
Other	8.2%	7.3%

In addition to the four focused segments of operations, as detailed above, the Matrix Group operates cross-functional bodies that provide specialized services to all segments of operations and sectors:

- Centers of Excellence – Matrix operates approximately 30 technology centers of excellence that constitute the Company's professional cutting edge in strategic fields, including: Generative AI, Cyber & Security, Digital & CX, Cloud, Low Code, data & Analytics, DevOps, ERP, CRM and core systems. These centers are founded on an organizational approach that maximizes added value for clients and development teams through: a team of subject matter experts who consolidate deep knowledge and hands-on experience in cutting edge technologies; a methodological framework: use of best practices and structured methodologies designed to shorten time to market and reduce project risk. The centers of excellence operate with a guided innovation approach: continuous technology CTO guidance by the Matrix CTO unit, ensuring compliance with the highest international standards.

- Comprehensive management and engineering consulting services, from the strategy formulation and management consulting stage to the execution and change implementation stages, including management of complex projects, including engineering projects, large-scale engineering supervision projects, particularly in the transportation sector, national infrastructure projects and projects in the field of planning and environmental quality, as well as multidisciplinary engineering consulting services and consulting and implementation services in the field of supply chain management and logistics-operational management.
- Matrix R&D and Offshoring Services, which provides expert services in the fields of software development and software testing and quality assurance services in offshore and nearshore models.

Below is a summary description of the four areas of activities:

IT Solutions and Services, Consulting, and Management in Israel

Operations in this segment include a wide range of technological and other solutions and services in the fields of enterprise core systems, data and AI, cybersecurity, digital and more. These solutions include the development of large-scale technological systems and the provision of related services; the execution of computing and software integration projects; the development of operational solutions and C4ISR systems for defense entities in Israel and worldwide; outsourcing services and professional services provided by experts and consultants; offshore/nearshore services; BPO and call center services; software project management; software development; software testing and QA; the improvement and upgrading of existing technological systems; and the provision of training and implementation services. In addition, operations in this segment include management consulting services and multidisciplinary engineering and operational consulting services, including supervision of complex engineering projects, particularly infrastructure projects in the transportation sector.

IT Solutions and Services in the US

Operations in this segment are carried out through two arms – Matrix US Holding and Xtivia, each of which holds a number of subsidiaries in the US.

This segment includes the provision of solutions and expert services in the field of Governance, Risk & Compliance (GRC), fraud prevention, cyber risk reduction, and anti-money laundering, as well as specialized advisory services in this field. It also includes the provision of advanced information technology solutions and services in the areas of data & AI, advanced database management, digital customer experience (DXP – Digital Experience Platforms), managed services, enterprise solutions, and cloud and application development. The operations in this segment also include, professional services and projects carried out by experts from across the Matrix Group, serving as a gateway to the business model for exporting the Company's services and products in the US.

Marketing and Support of Software Products

Operations in this segment primarily include selling and distributing software products (mainly from international software manufacturers) in various and diverse fields, such as command and control products, cybersecurity, communication solutions, virtualization, knowledge management products, artificial intelligence solutions, client databases, as well as implementation, training, support and maintenance projects for products and integrated systems.

Cloud and Computing Infrastructures

The Company's operations in this segment primarily include the provision of diverse solutions and services in the cloud field (through the Company's specialized business unit in this field – CloudZone) – sales, service and support for public cloud (PaaS, SaaS, IaaS) and private cloud at all stages of implementation – consulting, architecture, development, implementation, environment management and support, and FinOps services, supported by advanced AI processes. In addition, operations in this segment include: the provision of computing solutions for computer infrastructures, communication solutions, marketing and selling of hardware, software licenses and peripherals to business clients, together with ancillary professional services, multimedia and command and control center solutions for smart offices, office automation and printing solutions, selling and marketing of test and measurement equipment, communication, cyber and RF solutions, automation projects and integration, calibration services in advanced technologies, and the provision of industrial video and image processing solutions (through the subsidiaries RDT Equipment and Systems and Asio Vision), as well as the import, sale and provision of services for automated manufacturing machines for component assembly and automated testing machines for assembly processes and components on production lines in the fields of industrial, medical and military instrumentation, lasers and sensors for civilian and defense applications, optical communication systems and automotive radar systems (through the subsidiary Ortec).

3. Investments in Matrix's Equity and transactions in its shares

In the years 2024–2025 and up to the date of the report, no investments were made in the Company's equity (other than the exercise of options or the vesting of restricted stock units (RSUs) by officers), and no material transactions in the Company's shares were executed by interested parties outside the stock exchange.

Following the end of the reporting period, on February 4, 2026, the Company completed an issuance of convertible bonds into the Company’s shares. For details regarding the issuance and its terms, see the Company’s immediate reports dated February 3, 2026 (Reference No. 2026-01-012146) and February 4, 2026 (Reference No. 2026-01-012594), as well as Note 25 to the financial statements.

For details regarding share-based payments, see Note 18 to the financial statements.

4. Dividend Distribution

4.1. For details regarding the dividends distributed by the Company during 2024 and 2025 and up to the date of publication of the Report, see Note 17(f) to the financial statements.

4.2. Retained Earnings

As of December 31, 2025, the balance of distributable retained earnings (based on the retained earnings balance) totals approximately NIS 800,723 thousands.

4.3. Dividend Policy

For details regarding the dividend distribution policy, see Note 17f to the financial statements.

4.4. Restrictions on the Corporation's Ability to Distribute Dividends

For details regarding the financial covenants to which the Company has committed, see Notes 10d and 19a(1) to the financial statements.

5. Financial Information Regarding Matrix Segments of Operations

The following are the key results of the Company, by segments of operations, for 2023–2025:

	2025					
	IT Solutions and Services, Consulting, and Management in Israel	Marketing and Support of Software Products	Cloud and Computing Infrastructures	IT Solutions and Services in the US	Adjustments	Total
Revenues from non-related parties	3,744,439	427,612	1,609,225	457,664	-	6,238,940
Intersegmental revenues	76,803	12,770	36,124	982	(126,679)	-
Total revenues	**3,821,242**	**440,382**	**1,645,349**	**458,646**	**(126,679)**	**6,238,940**
Fixed costs	255,055	12,829	70,203	39,094	-	377,181
Variable costs	3,197,908	359,676	1,413,209	349,194	19,634	5,339,621
Total operating expenses	**3,452,963**	**372,505**	**1,483,412**	**388,288**	**19,634**	**5,716,802**
Operating income	291,476	55,107	125,813	69,376	(19,634)	522,138

	2024					
	IT Solutions and Services, Consulting, and Management in Israel	Marketing and Support of Software Products	Cloud and Computing Infrastructures	IT Solutions and Services in the US	Adjustments	Total
Revenues from non-related parties	3,227,608	425,971	1,465,935	460,024	-	5,579,538
Intersegmental revenues	109,659	30,794	49,996	915	(191,364)	-
Total revenues	**3,337,267**	**456,765**	**1,515,931**	**460,939**	**(191,364)**	**5,579,538**
Fixed costs	233,529	14,265	59,972	44,914	-	352,680
Variable costs	2,743,966	366,342	1,299,558	348,245	18,673	4,776,784
Total operating expenses	**2,977,495**	**380,607**	**1,359,530**	**393,159**	**18,673**	**5,129,464**
Operating income	250,113	45,364	106,405	66,865	(18,673)	450,074

	2023					
	IT Solutions and Services, Consulting, and Management in Israel	Marketing and Support of Software Products	Cloud and Computing Infrastructures	IT Solutions and Services in the US	Adjustments	Total
Revenues from non-related parties	3,028,576	294,236	1,430,913	478,380	-	5,232,105
Intersegmental revenues	90,917	35,491	83,106	8,809	(218,323)	-
Total revenues	**3,119,493**	**329,727**	**1,514,019**	**487,189**	**(218,323)**	**5,232,105**
Fixed costs	212,272	11,852	86,588	45,844	-	356,555
Variable costs	2,610,646	246,261	1,256,368	356,368	12,487	4,482,131
Total operating expenses	**2,822,918**	**258,113**	**1,342,956**	**402,212**	**12,487**	**4,838,686**
Operating income	205,658	36,123	87,957	76,168	(12,487)	393,419

The Company does not maintain an accounting and/or costing system that distinguishes between fixed and variable costs. Accordingly, the aforesaid breakdown is performed for reporting purposes only. In calculating fixed costs, the Company included rental costs (including municipal taxes, electricity, communications, etc.), depreciation and amortization (including depreciation for leases and leasing) and SG&A expenses.

For further details, see Notes 1a and 24 to the financial statements and Sections 1.2.4 and 1.2.5 of the Board of Directors' Report.

6. General environment and the effect of outside factors

The Group's operations may be materially affected by a number of key general and external factors in the principal geographic markets in which it operates – primarily Israel and the US.

The Israeli market

6.1. General Environment in Israel

The Israeli economy is directly affected by the global economy. As of the report date, the trend of global economic stabilization continues, having dealt in recent years with the consequences of rising inflation, followed by interest rate increases upon exiting the COVID-19 period, after which a trend of interest rate reductions began. Nevertheless, the Israeli economy was primarily affected over the past two years by unique and complex domestic events with a material impact, foremost among them the Swords of Iron War and its ramifications. For details, see Section 1.1.1 of the Board of Directors' Report.

6.2. Trends in the Information Technology (IT) Market:

The years 2025–2026 are characterized by a renewed expansion in global technology spending, following a period of macroeconomic uncertainty. The expansion is driven by the continued migration to cloud, modernization of core systems, and deepening adoption of artificial intelligence (AI) technologies.

According to a Gartner report from February 2026,[4] global IT spending is expected to grow by approximately 10.8% in 2026, reaching approximately USD 6.15 trillion. According to Forrester,[5] global technology spending is expected to grow by approximately 7.8% in 2026, reaching approximately USD 5.6 trillion.

The growth is accompanied by a shift in the spending mix: the software segment continues to expand at a double-digit rate, while IT services are growing at a moderate but steady pace. At the same time, AI-related components are capturing an increasingly larger share of technology budgets.

The Market in Israel

The IT market in Israel is affected by geopolitical factors and economic uncertainty, yet investment trends are similar to those observed in leading markets: cloud, data, cybersecurity, and artificial intelligence (AI). These trends are particularly prominent in the financial, defense, and public sectors.

The expanding adoption of GenAI and AI Agents solutions is expected to affect the local demand mix, with a growing need for systems integration, infrastructure adaptation, and risk management.

The Market in the US

The technology market in North America continues to serve as a key growth engine. According to Forrester,[6] the market is expected to grow by approximately 9% in 2026, reaching approximately USD 2.28 trillion. The US leads in investments and industrial adoption of AI solutions, including in regulated sectors, with a transition from experimental applications to large-scale deployments.

Artificial Intelligence (AI)

The field of artificial intelligence (AI), including generative systems (GenAI) and autonomous systems (Agentic AI), continues to develop at an accelerated pace and materially impacts the structure of the global technology market and organizational investment patterns.

These technologies are creating structural disruption in business models and IT infrastructure, in work processes and technology and innovation strategies, and are impacting the way organizations plan, develop, deploy, and operate information systems. In 2025, a significant acceleration is evident in the transition of organizations from proof-of-concept (PoC) initiatives to full production-scale AI solution deployments, accompanied by increased investment in cloud infrastructure, cybersecurity, and data governance.

The software and computing equipment segments, led by AI-related components, are expected to account for over 70% of market growth in the years 2025–2030. The same report further indicates that by 2030, nearly a quarter of all global technology spending is expected to be AI-related. Spending on AI software is expected to grow at a compound annual growth rate (CAGR)

---

4 Gartner (February 3, 2026). Gartner Forecasts Worldwide IT Spending to Grow 10.8% in 2026, Totaling $6.15 Trillion. Press release. Available at: https://www.gartner.com/en/newsroom/press-releases/2026-02-03-gartner-forecasts-worldwide-it-spending-to-grow-10-point-8-percent-in-2026-totaling-6-point-15-trillion-dollars

5 Forrester. *Global Tech Market Forecast, 2025 to 2030.* January 27, 2026. Available at: https://www.forrester.com/report/global-tech-market-forecast-2025-to-2030/RES190434

6 Forrester. *US Tech Market Forecast, 2025 to 2030.* January 27, 2026. Available at: https://www.forrester.com/report/us-tech-market-forecast-2025-to-2030/RES189933

of approximately 21.2% between 2024 and 2029, from USD 74.3 billion in 2024 to USD 194.3 billion in 2029.

GenAI is expected to account for approximately 53% of total AI software spending by 2029, at a CAGR of 34.3% during that period.

The implications of AI are not limited to investment in models themselves, but are also reflected in growth in supporting investments, including: cloud infrastructure, data platforms, data governance, cybersecurity, and process adaptations. Organizations are gradually transitioning from the experimental phase to operational applications, a trend that is impacting the demand structure in the IT services industry.

In addition, according to a Gartner report[7] from January 2026, global spending on artificial intelligence is expected to reach approximately USD 2.5 trillion in 2026, an increase of approximately 44% compared to 2025. This growth rate is significantly higher than the overall IT market growth rate and indicates an exceptional acceleration in investment in AI-based infrastructure, software, and services.

These trends reflect a transition from proof-of-concept (PoC) projects to broad production deployments, growth in cloud infrastructure and data center investments, increased demand for advanced data platforms and data governance, as well as strengthened investment in cybersecurity and privacy protection.

In the Company's assessment, these developments may support expansion of demand for infrastructure, cloud, data, cybersecurity, and integration services. At the same time, growing use of AI tools may impact work patterns, pricing of traditional services, and the activity mix in the IT services industry.

Certain areas, including traditional development services and process outsourcing services, may undergo changes in demand patterns and required workforce levels, due in part to automation-driven efficiencies. However, productivity improvements and the reduction of cost barriers may lead to expanded project scopes, accelerated development timelines, and an increase in the number of technology initiatives within organizations, thereby raising demand for innovative solutions in a manner that may offset or balance part of the impact of efficiencies on existing activity levels.

In addition, a gradual transition to higher value-added services — including complex integration, AI-ready architectures, data governance, and risk management — may impact the revenues mix in the industry. Such a shift in mix may support a relative improvement in the profitability profile, subject to market conditions, competition, and continued required investments in professional capabilities and infrastructure.

The Company is working to adapt its service portfolio, operating models, and professional competencies to this changing reality, and is integrating AI tools into its internal work processes and service delivery to its clients, with the aim of improving productivity, shortening delivery times, and expanding the service offering.

---

7 https://www.gartner.com/en/newsroom/press-releases/2026-1-15-gartner-says-worldwide-ai-spending-will-total-2-point-5-trillion-dollars-in-2026

However, the use, development, or deployment of artificial intelligence systems involves risks, including privacy and data protection risks, intellectual property risks, reliance on erroneous or biased automated outputs, dependence on key technology platforms and providers, regulatory changes in the AI field, as well as infrastructure or operational failure risks. The materialization of such risks could adversely affect the Company's operations, its reputation, and its business results.

These risks are also relevant to the Company's clients, and in particular to organizations operating in regulated or data-intensive environments. As a result, there is a growing need for the implementation of governance frameworks, risk control, cybersecurity, and regulatory compliance in AI environments. This trend may support demand for consulting, integration, and risk management services in the artificial intelligence field, alongside the Company's continued exposure to such risks.

The Company estimates that the trend of adopting artificial intelligence technologies is expected to serve as a significant change driver in the IT services industry, and that its reach and diverse specializations across the entire technology value chain may enable it to benefit from these trends. Nevertheless, it is unable to assess at this stage the full extent of the long-term impact and its timing.

The foregoing regarding the Company's assessments with respect to the anticipated adoption trends of AI technologies and their possible impact on the Company's operations constitutes forward-looking information, as defined in the Securities Law, based, among other things, on assessments, forecasts, and assumptions of the Company's management as of the report publication date and on the information available to the Company at that time, including analyses, public information, and analyst estimates. These assessments may not materialize, in whole or in part, or may materialize differently, including materially from expectations, due, such as, to changes in technology trends in the industry, the actual pace of adoption of artificial intelligence solutions by clients, competitive developments, changes in business models in the industry, regulatory changes, market and macroeconomic conditions, as well as the materialization of risk factors affecting the Company's operations, including all or some of the risk factors set forth in Section 19 of the Report.

Cybersecurity

The escalation in cyber threats, particularly amid a period of geopolitical tension, and all the more so following the outbreak of the Swords of Iron War and its ramifications, led to an increase in the volume of incidents and threats, their intensity, attacker capabilities, and the level of attack complexity, and accordingly, to increased exposure to cyber risks, with an emphasis on Israeli entities. In 2025, this trend continued and even intensified, due in part to increased activity by state entities and organized attack groups and the expansion of combat arenas into the digital space. At the same time, rapid advances in innovative technologies such as artificial intelligence (AI) and cloud computing are transforming the cybersecurity field, but also creating a broader surface for exploitation by attackers. Among other things, personalized phishing and deepfake-based fraud are being employed alongside the accelerated migration to cloud services, exposing the Company to threats such as account breaches and data disruption. The accelerated transition to cloud-based architectures and SaaS environments increases the "attack areas" and necessitates adaptation of defense mechanisms. Furthermore, the Company's reliance on third-party entities, including cloud service providers and SaaS platforms, exposes it to indirect risks. Security vulnerabilities in external providers' infrastructure could lead to data leakage, business continuity disruption, and loss of control over critical systems.

In the Company's assessment, the continued technological developments, the accelerated digital transformation of organizations, and global geopolitical tensions, including the Swords of Iron War, the Russia-Ukraine war, and the US-China tension, are expected to result in cybersecurity trends in 2026 that are similar to those described above and perhaps even more challenging and complex.

The global cybersecurity market continues to grow at a rate above the IT industry average. According to Forrester, global spending on cybersecurity products and services is expected to grow by approximately 13.1% in 2025, totaling approximately USD 174.8 billion, with the market expected to grow at a CAGR of 14.4% between 2024 and 2029, reaching approximately USD 302.5 billion.

The growth is driven by cloud expansion, tightening regulation, and increasing threats complexity. The deployment of AI-based and AI-integrated systems increases the complexity of IT environments and adds risk layers in terms of data protection and privacy. Accordingly, cybersecurity components are integrated as a built-in element in cloud, modernization, and AI projects. This trend impacts the demand structure in the IT services industry and strengthens the demand for planning, integration, and regulatory compliance capabilities — areas in which the Company has significant expertise and operations.

The foregoing regarding trends, implications, and effects in the IT market, and in particular in the AI and cybersecurity fields, constitutes forward-looking information, as defined in the Securities Law, based on management's assessments and business experience and public information as of the report date, and on assumptions, analyses, public information, and analyst estimates as of the report date. This information may not materialize, in whole or in part, or may materialize differently, including materially from expectations, due, among other things, to an economic slowdown, competition, and/or the materialization of all or some of the risk factors set forth in Section 19 of the Report.

6.3. The Hi-Tech Sector and Demand for Technological Human Capital

In 2025, the Israeli Hi-Tech sector was characterized, on one hand, by a peak in mergers, acquisitions, and IPO transactions; and on the other hand, by stagnation[8] in demand for technological workforce and a shift of positions overseas, with an emphasis on inexperienced (junior) employees.

Alongside the relative slowdown in the industry, the deployment of artificial intelligence technologies accelerated in 2025, particularly Generative AI solutions, data infrastructure, and cloud. This trend led to a shift in the workforce demand mix: a relative decline in demand for general technology roles and junior employees, alongside growing demand for experienced workers in the fields of data, cloud architecture, cybersecurity, and AI. As a result, the shortage of skilled personnel in these advanced fields continued.

In the Company's assessment, in general, the increased supply of technology workers may facilitate the Company's recruitment and retention of employees in certain areas and moderate

[8] Israel Innovation Authority, *2025 High-Tech Employment Status Report* (April 2025). Available at: https://innovationisrael.org.il/press_release/high-tech-employment-report-2025/; Israeli Employment Service, *Data on Job Seekers from High-Tech Occupations*, April 2025; Startup Nation Central, *Annual Report 2025* / *Summary of 2025*, January 2026.

upward wage pressures. Nevertheless, competition for workers with unique expertise in AI, cloud, and cybersecurity remains high and is expected to further intensify. On the other hand, the uncertainty in the Hi-Tech industry may lead to reduced demand and even adversely affect some of the Company's clients in this operating segment, and consequently impair the Company's operating results.

The foregoing in this section regarding human capital challenges and the Hi-Tech sector, and their implications for the Company's operations, constitutes forward-looking information, as defined in the Securities Law, and is based on management's assessments as of this report date and its business experience. This information may not materialize, in whole or in part, or may materialize differently, including materially from expectations, due, among other things, to market competition, the economic and general conditions of the economy, and/or the materialization of all or some of the risk factors set forth in Section 19 of the Report.

6.4. Additional general trends that have been shaping the Israeli IT market over time and creating opportunities for the Company to expand its business and market share include, among others:

- Focus on large, financially stable suppliers – given the complexity of the services in the Company's field of operations and their importance, for improving the business and/or business continuity of customers, there is an inherent preference for large suppliers with proven execution capabilities and high financial stability, such as the Company.

- Mergers and acquisitions – some of the trends described above are leading to a level of consolidation and a proliferation of mergers and acquisitions of small and mid-size IT companies by large companies with financial resources. The Company's leading market position, financial strength, and cash reserves, as well as its reputation and extensive experience in IT mergers and acquisitions, may create opportunities for the Company to acquire companies operating in complementary areas adjacent to the Company's fields of activity, at economically attractive prices relative to their inherent potential, thereby expanding the range of services offered by the Company and its client base.

- Offshore, nearshore, and outsourcing activity – the ongoing need for continued efficiency and operational savings in large organizations on one hand and the shortage of technological workforce on the other create an incentive for cost-effective solutions. In addition, there is a trend of relocating some development teams abroad as a survivability mechanism enabling continued operations even when Israel is in a state of war, a trend that is increasing Matrix's business in Eastern Europe. This trend may lead to expansion of the Company's business in these areas within the framework of the "Matrix Offshore and R&D Services" operations. [For further details, see Section 7.1.1(b) of the Report].

- Defense activity – against the backdrop of geopolitical uncertainty worldwide and the security situation in Israel, there is a sharp increase in defense companies' activity levels, contract volumes, and backlogs. This trend correspondingly creates increased demand from defense clients for development services, professional services, and other work scopes. Additionally, the uncertainty and escalating geopolitical tensions in Israel and worldwide and the expansion of digital combat arenas are leading to increased threat levels in cybersecurity, and correspondingly expanding demand for advanced cyber defense solutions, threat monitoring and detection, as well as infrastructure and equipment upgrades, including secure cloud systems, communications infrastructure, and business continuity (BCP) and/or Disaster

Recovery solutions. Furthermore, there is a notable trend of integrating advanced technologies, including artificial intelligence, advanced analytics, and automation, into defense systems and cybersecurity arrays, a trend that supports the expansion of the scope of services required by clients in this field.

The foregoing regarding trends accompanying the IT market constitutes forward-looking information, as defined in the Securities Law, and is based on management's assessments and business experience. This information may not materialize, in whole or in part, or may materialize differently, including materially from expectations, as a result of to market competition and/or the materialization of all or some of the risk factors set forth in Section 19 of the Report.

6.5. The Market in the US

A. The global technology trends detailed in Section 6.3 above are relevant also, and particularly, to the US market.

B. The US IT market is directly influenced by macroeconomic developments in the US. During 2025, the US economy exhibited recovery and relative stability, including a decline in inflation rates and a decline in interest rates. In terms of GDP growth data, US gross domestic product (GDP) for 2025 grew by 2.2% annually compared to 2.8% in 2024.

C. According to Forrester,[9] 2025 data (after year-end data is finalized) is expected to show growth of approximately 6.1% in the US technology market in 2025, amounting to approximately USD 2.7 trillion, with the growth forecast for 2026 at approximately 8.3%, against the backdrop of continued corporate investments in cloud, cybersecurity, and artificial intelligence technologies.

According to the same data, software spending in the US market is expected to exhibit a relatively high growth rate, reaching growth of approximately 10.7% in 2025, primarily against the backdrop of investments in infrastructure, cloud systems, cybersecurity, and Generative AI. At the same time, spending on IT services is expected to continue to grow but at a more moderate pace, in line with the trend of organizational efficiency and reassessment of IT projects. Additionally, the finance and financial services sector continues to be one of the key sectors in terms of IT investment volume in the US, with a significant share of total IT spending.

D. Regulatory requirements and operational and reporting guidelines in the US financial sector drive demand for the Company's GRC services. The level of oversight and compliance in the US financial sector remains significant, particularly in the areas of fraud prevention and anti-money laundering, risk management, and cybersecurity; alongside this, in 2025 a trend of reassessment/easing of some oversight and enforcement requirements has been evident.

In the Company's assessment, these trends support demand for consulting, implementation, and deployment services for GRC solutions and compliance-supporting IT systems, areas in which the Company specializes.

---

9 https://www.forrester.com/blogs/us-tech-spending-defies-the-economic-slowdown-to-hit-2-7-trillion-in-2025/
https://www.forrester.com/blogs/us-technology-spending-will-grow-a-record-8-3-in-2026-to-reach-2-9-trillion/

E. In addition, possible changes in trade, immigration, and regulatory policy in the US may affect the business operating environment in the country and the IT services market, thereby also affecting the Company's operations in the US. An emphasis on national security, including cybersecurity, may lead to increased demand for cybersecurity and AI solutions; a workforce shortage, which may worsen against the backdrop of restrictive immigration policies, may increase demand for manpower, which could increase demand for professional services through the Company's centers in Israel, India, and Eastern Europe; on the other hand, an "America First" policy could also include tariffs on offshore services that could raise the Company's operating costs and reduce the attractiveness of outsourcing for American clients.

F. Similar to the Israeli market (see Section 6.2.1(c) above), the US also experiences a shortage of experienced technology employees. Trends in the US technology labor market may have various effects on the Company's operations. On the one hand, the shortage of skilled personnel in areas such as cloud, cybersecurity, and artificial intelligence continues to make it difficult to recruit experienced technology workers and exerts upward pressure on wages. On the other hand, demand for outsourcing services grows, and the Company is well-positioned to provide high-quality solutions in these fields.

G. The sharp decline in the USD/NIS exchange rate starting from the second half of 2025 had a negative impact on the Company's operating results in the IT Solutions and Services in the US segment (NIS terms), since the transactions in this segment are, by their nature, denominated in dollars, while the Company's operating results are presented in NIS. The continuation of this trend could lead to further adverse effects on the Company's business results.

The foregoing regarding trends, implications, and effects constitutes forward-looking information, as defined in the Securities Law, based on management's assessments and business experience and public information as of the report date, and on assumptions, analyses, public information, and analyst estimates as of the report date. This information may not materialize, in whole or in part, or may materialize differently, including materially from expectations, due to, among others, to changes in macroeconomic conditions, regulatory policy, technological developments, competition, and/or the materialization of all or some of the risk factors set forth in Section 19 of the Report.

7. Description of Matrix's Operations by Segment

7.1. IT Solutions and Services, Consulting, and Management in Israel

For the contribution rates (in percentages) of this segment to the Company's revenues and to operating income for 2024 and 2025 in Israel, see Section 1.2.4 of the Board of Directors' Report.

7.1.1 General - Types of Services in the Segment

The following is a description of the key services provided by the Company to its customers in the IT Solutions and Services, Consulting, and Management in Israel segment, the developments in the field that affected the Company's operating results in this segment in 2025, as well as details of expected developments in the segment that may materially affect these results in the short and medium term:

a. Integration Projects

In this framework, the Company provides its customers with comprehensive system solutions in the required field, combining services from several areas of activity detailed further in this Section 7.1.1, as well as solutions from additional segments of the Company (Marketing of software products and Cloud and Computing Infrastructures). The combination of all said components is designed to provide a complete response to the customer's needs in the required sectors. These projects are generally of significant financial scope and require a wide variety of specializations. Examples include: establishing a comprehensive system for the Israel Central Bureau of Statistics, for supplying and operating a central storage system, making information accessible and managing work processes; defense projects carried out by the Company for the Ministry of Defense and for defense entities abroad; a project to establish an end-to-end computing solution to support the establishment of consumer credit operations for an insurance company, including managed services for the project's infrastructure and the core software enabling this activity; a project to establish the next generation of a leading bank's digital array, based on new and advanced technological infrastructure. The Company is also carrying out several significant modernization projects, including at one of the largest banks in Israel and in the government, as well as a project at a financial infrastructure company as part of a core systems replacement process. In these projects, the Company incorporates, as needed, artificial intelligence components and advanced data analytics, including predictive engines, anomaly detection, AI-based automation and Generative AI-based interfaces, in accordance with the customer's requirements and the applicable regulations.

b. Offshore/Nearshore R&D

Provision of software development services and software testing services by local or overseas employees, at rates lower than those customary in Israel. The Company is working to promote its business in the offshore and nearshore field under a unified brand called Matrix R&D and Offshoring Services ("Matrix R&D and Offshoring Services") abroad and under the "Talpiot" brand in Israel.

Matrix R&D and Offshoring Services' operations include:
Talpiot Project - a training and placement track for women in the ultra-Orthodox sector, under which the Company operates software development and testing centers employing women who were trained by the Company as aforesaid. The centers are adapted to the needs of the target population of each center (operating hours, work environment, supportive environment, etc.) and therefore the demand to work in them among the target population is high. The added value of the Talpiot Project is based on the availability of talented women with knowledge and experience, such as graduates of the academic and

engineering training track, in the candidate pool for joining this project, which enables the rapid establishment of software development, automation and QA teams, including use of AI tools, while building long-term relationships with customers, based on the loyalty and quality capabilities of the employees in the project.

The Company also operates a development center in the south through its subsidiary Cambium, which operates in Dimona and specializes in the AI field.
Provision of offshore services through the Company's subsidiaries in Eastern Europe (mainly in Bulgaria, Poland, Romania, Ukraine and Macedonia), intended for a target audience of customers in Israel (mainly in the Hi-Tech and startups sector) and potentially also for customers abroad.

c. Cloud Computing Solutions

The Company's customers include global companies and Hi-Tech companies, enterprise organizations, government entities and public sector customers, academia, telecom, finance, healthcare, industry and more.
In Israel, demand for these solutions is expected to continue growing following the government's "Nimbus" project, the purpose of which is, among other things, to route more government activity to cloud environments, using the services of international cloud providers in Israel. The "Nimbus" project is generating momentum for cloud adoption in the government, public and defense sectors. The business sector is also routing more and more activity to the cloud, and it is reasonable to assume that this trend will further intensify in light of the establishment of local regions by Amazon, Google and Microsoft.
The majority of the Company's cloud computing solutions are concentrated in the CloudZone unit. For further details regarding CloudZone, see Section 7.4.2 below.

d. BI, Data and AI Solutions

"MatrixDnA" is the data and AI arm of the Group. MatrixDnA specializes in the development, implementation and deployment of complex data and AI projects customized to customer needs, based on advanced technologies, including cloud platforms, Lakehouse solutions, advanced analytics tools and artificial intelligence applications.
The Company employs hundreds of experts and provides a broad array of solutions and services in the fields of BI, big data, machine learning, data science, data engineering and Generative AI. Among other things, this activity includes the establishment and management of enterprise data platforms, modernization of data warehouses (DWH), establishment of data lakes and lakehouses, development of analytical and predictive models, integration of AI engines into enterprise systems, as well as the establishment of MLOps and LLMOps infrastructures for managing and operating models in production environments. In addition, the Company specializes in providing strategic consulting services in the data and AI fields, including data strategy formulation, data architecture, data governance and AI governance, to assist organizations in transformation processes toward becoming a data driven organization and adapting business processes for the controlled and secure integration of AI capabilities.
In recent years, the demand for solutions combining advanced analytics and artificial intelligence has been growing, and in particular for Generative AI-based applications that rely on enterprise data repositories. According to market estimates by international research firms, the data and analytics field continues to grow at double-digit rates, as does MatrixDnA, which grew by more than 40% in 2025, primarily driven by the accelerated adoption of AI solutions in organizations.

e. AI Applications, GenAI and Machine Learning

"GenAI will Influence IT Spending, but IT Spending won't be on GenAI itself"[10] - this is how Gartner describes the GenAI paradox: the data centers, equipment and software segments will enjoy double-digit growth in 2026, largely because of GenAI, but investments in GenAI readiness have not yet yielded the functionality leap of GenAI that is supposedly expected to result from this investment.

The center of excellence in "artificial intelligence" (AI) and "deep learning" was established by Matrix as part of "Matrix Defense" operations. In this framework, solutions were implemented for the defense sector, which is a pioneer and significant leader in the use of AI and deep learning technologies.

This center of excellence also provides "civilian" solutions, including, among other things, solutions in the fields of text and automation, video, cyber anomaly detection in large networks, automatic mapping and robotics (autonomous vehicles and unmanned aerial vehicles).

With the development of generative models such as ChatGPT, Gemini, Grok, Claude, Perplexity, CoPilot, Dall-E, Midjourney, SORA and all open-source models, Matrix is developing and preparing for the next quantum leap in AI, while integrating AI across all relevant technological disciplines. The AI center of excellence is leading the implementation of AI capabilities across all arms of Matrix, generating dozens of AI projects carried out by Matrix.

f. Professional Services of Experts and Consultants

In this activity, the Company provides its customers with professional consultants and experts across the full range of technological professions and information systems, including data science, AI and Machine Learning experts. Most of the consultants operate from the customers' offices, with the customers being responsible for managing and directing the employees. The Company's use of AI capabilities in all employee recruitment and screening processes gives the Company a competitive advantage. The Company provides these professional services to a wide range of customers across all sectors of the economy. To the best of the Company's knowledge, the main advantage that customers see in this engagement structure is increasing managerial flexibility with respect to employing varying numbers of employees according to the customer's needs from time to time, as well as the professional support and backing provided by the Company to its employees and customers.

---

[10] https://www.gartner.com/en/newsroom/press-releases/2025-01-21-gartner-forecasts-worldwide-it-spending-to-grow-9-point-8-percent-in-2025

g. Software Testing

The Company operates, through "Matrix Testing and Automation," in the field of software testing, QA and software test automation, specializing in providing manual and automated testing services across a variety of technologies and sectors and in developing unique testing methodologies, all while using a variety of solutions and tools suitable for different environments, and AI-based testing and automation tools, in various business models adapted to the customers' needs, including through consultants at the customer's site, through full responsibility for a managed service project, by performing the activity from a remote site in a nearshore or offshore model or a combined model, as well as by providing services based on automation environments for testing, including representing several leading software products in the field, including products that use AI. The Company provides dedicated testing services for AI-based systems, including data quality testing, model testing and assessment of compliance with regulatory requirements.

h. Cyber and Information Security Solutions

Matrix operates in this field primarily through its subsidiaries 2B Secure Ltd. ("2Bsecure"), Integrity Software Ltd., Matrix Defense Ltd., Tangram Soft Ltd. and Zebra A.G.R. Technologies Ltd.

2Bsecure provides a range of information security services to numerous organizations in Israel and worldwide, such as penetration testing, risk surveys, guidance and establishment of secure development processes, building multi-year strategic work plans, supply chain information security management and management exercises, and also provides its customers with a wide range of solutions in the field of information security and cyber, risk management and assisting organizations in complying with information security and privacy regulations such as the Privacy Protection Law, ISOX, HIPAA, ISO 27001, GDPR. In recent years, with the accelerated transition of organizations to cloud, digital and AI environments, the complexity of threats and regulatory requirements has increased. 2Bsecure specializes in providing advisory, architectural and technological solutions for securing these environments, including public and hybrid cloud, modern applications, SaaS environments, identity-based systems (Zero Trust) and advanced data platforms. 2Bsecure also carries out information security projects, including sales of information security and cyber products from the world's leading manufacturers.

In addition, the Company operates an advanced SOC (Security Operation Center), which monitors dozens of customers both in Israel and worldwide, including providing IRT (Incident Response Team) services, whereby during a critical event the team is deployed within a short time or connects remotely to provide response and resolution. In recent years, 2Bsecure has handled dozens of material cyber incidents in organizations, including in critical national infrastructure entities.

As part of coping with the growing threats and increasing sophistication of cyber attacks, 2Bsecure integrates advanced innovation capabilities into its operations, including the use of artificial intelligence (AI) technologies and advanced automation for cyber defense. The company develops and deploys AI-based methodologies and tools for anomaly detection, smart event correlation, alert prioritization, automated incident response (SOAR), code and configuration analysis, and securing complex environments.

In addition, 2Bsecure assists organizations in the planning and secure adoption of AI technologies, including AI governance, model risk management, protection of data used for training and operating models, and implementation of security and privacy controls in the use of GenAI systems. The company provides consulting, architecture and implementation services for protecting AI-based systems, including prevention of data leakage to models, usage control, monitoring and policy enforcement.

2Bsecure also engages in developing custom cyber solutions (Custom Security Solutions) for its customers, including automation, analytics and integration tools between security and IT systems, with the aim of improving real-time threat detection, prevention and response capabilities and enhancing the efficiency of organizational defense systems.

In addition, the Company's subsidiaries engage in the distribution of software solutions in the fields of information security and data communications.

i. Digital Strategy, Customer Experience and Mobile

The Company's center of excellence in the field of customer experience (CX) provides organizations with advanced technological solutions as part of a customer-driven digital strategy and an actionable work plan for executing the digital transformation. Digital transformation processes within organizations generate omnichannel/multichannel development projects such as CRM, digital, mobile, customer analytics and IoT, while integrating AI capabilities, data-driven customer journey analytics, churn prediction and intelligent automation of business processes.

In addition, the Company provides advanced solutions in the areas of digital, hyper-automation and system modernization, including RPA-based process automation, core system modernization, development of systems and digital solutions based on Low Code tools, development of portals, websites, e-commerce sites and online business operations and services for organizations in the banking and finance, healthcare, government, defense, commerce and retail, media and other sectors.

The Company has extensive expertise and knowledge in the implementation and deployment of digital solutions for the financial sector, which include a combination of expertise in implementing digital projects along with the representation of various financial solutions.

Through a center of excellence for the mobile field and a large development and implementation group focused on developing mobile applications and solutions, the Company has developed a wide range of applications in business, commercial and various other fields, with an emphasis on enterprise applications. The connection between the mobile unit and other development units in the Company (such as BI/DnA, Cloud and others) enables a broader development and solution envelope, while developing mobile applications based on an optimal customer experience combined with the use of cloud and analytics services.

j. ERP and CRM

The Company's activity in the ERP field is based on: (1) the "Tafnit" system - an ERP system developed by the Company, which is an intellectual property asset of the Company and includes leading vertical modules in the field of non-bank credit, vehicle fleet and leasing management and additional fields. The Company is continuing the trend of migrating system customers to cloud-based implementation and is working to integrate AI

capabilities into the system, including predictive analytics, credit risk analysis, automation of decision-making processes and data-driven business insights. In its "Tafnit"-based activity, the Company operates primarily in the financial sector in non-bank credit management systems, which are installed at many of the leading non-bank credit companies in Israel, in the healthcare sector (hospitals), the education sector (academic institutions), the retail sector, the automotive sector, the consumer products sector (primarily electrical products) and more. The Company is developing for a leading insurance company a solution based on the Tafnit system, which enables the establishment, management and operation of consumer credit lending operations for its customers. The solution includes end-to-end management of the activity, from the customer application stage, through loan origination, management and repayment. The solution also includes a digital customer interface and an interface for the insurance company's representatives. The Company also operates in the logistics field, including the implementation of WMS (Warehouse Management System) solutions, which are advanced systems for managing logistics centers and distribution centers, installed at large logistics centers and warehouses in Israel.

(2) Priority solutions, through the subsidiary Medatech, which is the leading implementer of "Priority" solutions in Israel, serving more than 1,500 customers across a wide range of sectors and specializations. In order to meet the unique requirements of businesses in different sectors, Medatech has developed unique modules that extend the built-in functionality of the "Priority" solutions. Medatech's effective support of the various sectors and applications relies on dedicated vertical solutions developed by Medatech (on the "Priority" software infrastructure), such as: a vertical for the construction and real estate industry, a vertical for the trading sector, a vertical for medical companies, for the industrial sector (plastics, chemicals, hard metals, pharmaceuticals, medical devices and more), Hi-Tech, distribution, customer service, project management and more. Medatech provides an end-to-end solution for all information system management activities at customer sites implementing "Priority" solutions. The Company provides complementary solutions to the Priority system such as BI and advanced analytics, including AI components for improving operational processes and product decision-making, web applications and more, and provides, through Medatech's subsidiary, Medatech Systems, cloud hosting services as well as technical support for the existing infrastructure at customer sites (databases, operating systems, networks and more) and cyber services.

In addition, the Company specializes in CRM applications, primarily those based on Microsoft Dynamics CRM solutions and the Salesforce platform, in implementing migration projects from older CRM solutions and systems to new platforms, as well as in cloud migration projects. The Company also implements built-in AI capabilities in CRM platforms, including Microsoft Copilot and Salesforce Einstein AI, for the purpose of automating sales and service processes, automatic content generation, sales forecast analysis and advanced customer insights.

k. Matrix Defense - Consulting, Research, Development and Systems Engineering in the Defense Sector

"Matrix Defense" is a leading entity in the defense-technology field, with decades of experience and hundreds of successful and complex projects for critical defense systems. Matrix Defense has been designated as a "defense industry" entity under MALMAB guidance, in light of its significant volume of operations in the defense field and its involvement in important projects for the defense establishment.

The division employs hundreds of experts with extensive operational and technological experience, providing services to the IDF, the Ministry of Defense and the leading defense industries, as well as in projects for defense organizations abroad.

Matrix Defense specializes in the fields of AI, cyber, engineering and technology. The Company is closely attuned to technological-demand trends and urgent operational needs. It implements the most advanced technologies, some of them based on deep learning and Generative AI, while using innovative concepts and architectures from the worlds of Agents and MCP. These implementations make it possible to generate significant added value in operational processes with maximum efficiency.

The Company carries out projects from the initial planning and initiation stages through final build and deployment in operational environments, across a wide range of operational and technological fields, from geographic information systems (GIS), NLP, and video and image processing, through cyber defense and intelligence, including devices, embedded computer systems and national defense systems (national CERT), to command-and-control systems, simulation systems and more.

The division has one of the largest and most diverse defense consulting bodies in Israel, combining deep operational understanding with technology - process initiation, strategic consulting, business plans in the relevant field, market research and competitive intelligence, concept development, system planning and specification, leading operations research capabilities in Israel, and more.

The synergy created by deep operational understanding and technological expertise generates unique added value. Effective integration with advanced technologies, such as Agentic AI and AIOps tools, enables customers to improve productivity, streamline processes and generate unique added value. There is a growing trend in demand for consulting, implementation, research and development services following the latest technological trends. The division has won new projects, including in the fields of public and private cloud, AI, data and cyber, and continues to carry out projects for foreign states.

Further to the challenges arising from the Swords of Iron War, Matrix Defense continued to face a dual challenge: on the one hand, the massive call-up of reserve duty personnel from among its employees, and on the other hand, the need to provide an urgent response and adapt its operations to the operational and security needs of its customers in line with the circumstances, including special mobilization for the needs of the Ministry of Defense and the defense industries, urgent system deployments, around-the-clock 24/7 work, and support for customer systems, which led to growth in the Company's activity in this field.

l. Training and Implementation

The Company's activity in this sector primarily includes training and implementation services for end users in organizations where an IT system is installed or about to be installed, using AI tools for creating learning content and in training and implementation projects; courses and professional training in the sectors of artificial intelligence, data science, responsible use of Generative AI and implementation of AI tools in organizations; courses and professional development programs for Hi-Tech professionals; application courses and professional training and retraining courses for individuals; courses in the sector of soft skills and management training, through the Israel Center for Management (HAMIL), as well as the provision of a variety of professional services by outstanding graduates of the Company's training programs in an outsourcing format ("John Bryce Talent"). The Company also provides training and implementation services for computer systems directly to organizations and outsourcing and BPO of training center management for its customers.

m. Call Center and Operational Back Office Services

The Company operates in these sectors through its subsidiary Babcom, which is a multicultural company providing employment solutions in activity centers in the Galilee, in the south and in centers in the periphery. Babcom specializes in providing managed call center services, technical support services, sales center services, operational back office services and data enrichment services to organizations, on an outsourcing basis, including the integration of technological means and artificial intelligence solutions in call center operations, including the use of AI-based chatbots and voicebots, AI knowledge management tools, AI-based training creation tools, smart call routing systems and speech analytics and AI-assisted back office process automation tools. The Company also provides back office services, operations, data labeling and model training for Hi-Tech and start-up companies. In addition, Babcom engages in survey-based research and statistical data-based predictions, through its subsidiary SQ, including the use of dedicated AI tools.

n. Management Consulting, Multidisciplinary Engineering and Project Consulting, and Infrastructure Project Management

The Company operates in this sector through its subsidiary Aviv. Activity in these sectors includes, among other things, management consulting for organizations (from in-depth cross-organizational strategic implementation to tactical applications, from operational efficiency to human resource development), project management and program management services, planning management services for environmental projects, which also include engineering design of environmental facilities (such as wastewater treatment plants), master plans, architectural design and programs. In this framework, the Company provides consulting services in formulating data-driven organizational strategy, adapting business processes for intelligent automation, examining the impact of integrating AI technologies on organizational structure and human capital management, and implementing data-based planning and decision-making tools.

Aviv's activity also includes comprehensive multidisciplinary engineering consulting services, from the strategy formulation stage to the execution and change implementation stages, including the management of complex projects as well as large-scale infrastructure projects, project management offices and projects in the area of planning and environmental quality and transportation (such as being responsible on behalf of the Tekuma Administration for the civil engineering sector). In the management of complex projects and infrastructures, there is an increasing use of advanced analytical tools and decision-support systems, including solutions for real-time monitoring and control, risk analysis, budget and schedule deviation prediction, and resource optimization, in accordance with the customer's requirements and the project's characteristics. The Company also operates, through Dana Engineering Ltd. ("Dana Engineering"; a subsidiary of Aviv), in the sector of management and supervision of mega-projects in the infrastructure sector, specializing in large projects in the transportation sector such as: railways, roads, interchanges, bridges, tunnels. Dana Engineering is also a leading entity in residential infrastructure program management activities and is certified as a management company for the Ministries of Transportation, Economy and Construction and Housing.

Following the win by Dana Engineering, in partnership with two additional companies, in August 2023, in a tender by NTA - Metropolitan Mass Transit System Ltd., the partnership is carrying out the project for the design, design management and execution management of the M1 line of the Tel Aviv Metropolitan - the metro, the duration of which is estimated at approximately 13 years. For further details, see the Company's immediate report dated August 21, 2023 (reference: 2023-01-096171).

In addition, the Company operates in the sector of consulting and implementation services in supply chain management and logistics and operational management through its subsidiary Programa Logistic Systems Ltd. ("Programa"). Programa's activity includes planning and consulting services in the sectors of logistics (including material flow processes and material handling), operations management, supply chain optimization, automated warehouse planning and management (WMS) and simulation of such processes, for customers in Israel and abroad. As part of its activity, Programa provides planning and consulting services that include the use of simulation tools and advanced data analytics, including artificial intelligence and analytics tools, both at the project planning and management level and at the infrastructure and supply chain operations level, to improve the efficiency of logistics processes and adapt WMS systems to advanced automated work environments. In an era where information technologies are changing at a rapid pace, the Company adopts relevant technologies to enhance the value of services for its customers and to improve the productivity of the Company's various teams.

The foregoing in this Section 7.1.1 (and all its subsections) regarding trends, developments, estimates and the Company's activity accordingly in the relevant sectors contains forward-looking information, as defined in the Securities Law, based on management's estimates and business experience and publicly available information. This information may not materialize, in whole or in part, or may materialize differently, including materially differently than expected, as a result of an economic slowdown, as a result of competition in the market and/or as a result of the materialization of all or some of the risk factors set forth in Section 19 of this Report.

7.1.2 Services Offered to the Group's Customers in the IT Solutions and Services, Consulting, and Management in Israel Segment

The IT Solutions and Services, Consulting and Management in Israel, which the Company provides to its customers, include the provision of solutions as detailed above, all in accordance with the specific needs of each customer.

The Company's activity in the IT Solutions and Services, Consulting and Management in Israel segment is an ongoing long-term activity. The IT Solutions and Services, Consulting and Management, which the Company provides to its customers in Israel, are provided primarily under two types of engagement: [a] agreements for performing work at a Fixed Price, in which the scope of work and final deliverable, delivery date, total price and payment terms are defined; [b] agreements for performing work on a "time and materials" (T&M) basis. The majority of the Company's revenues are derived from agreements priced on a time and materials basis, in which the contractual price is paid in accordance with the actual working hours of the Company's employees, subject to a rate schedule (hourly, daily, monthly, etc.) determined between the Company and the customer, although the share of fixed price agreements out of the Company's revenues is in a constant upward trend. In addition, some of the services in this segment are provided under a managed services model, under which the consideration is determined based on deliverables in a pre-defined statement of work (SOW). Regardless of the engagement model, some of the services are provided by the Company in a cloud environment.

Some of the Company's solutions for its customers are based on systems developed by the Company, primarily vertical solutions for enterprise resource management (ERP), and most are provided based on systems developed by third parties. The systems and additional customizations are sold to the customer as a comprehensive transaction. In other cases, the services and solutions are based on custom development for the customer, without relying on off-the-shelf solutions. In most cases, after delivering the systems to the customer, the Company continues to provide customers with maintenance and support services for the systems.

The Company provides a limited warranty for software solutions developed by it. During the warranty period (generally up to one year) or during the maintenance period, the Company corrects defects discovered in the system. Revenues received from the provision of maintenance services, as well as expenses for warranty and maintenance, are not material. Based on past experience, the Company does not record a warranty provision in its financial statements, but reflects its warranty obligations to its customers within projects through the project revenue recognition mechanism.

For details regarding the revenue recognition policy, see Note 2 to the financial statements.

7.1.3 Customers

The Company's activity in this segment is focused on medium-sized and large companies and organizations, operating in most (if not all) of the various sectors of the economy: banks and financial institutions, insurance companies, credit companies, Hi-Tech companies, industrial plants, marketing and distribution networks, government ministries, the Ministry of Defense, the IDF and more.

The Company has more than 3,500 customers in the IT Solutions and Services, Consulting and Management in Israel segment, in various sectors, most of them medium-sized to large and stable entities. The majority of the segment's customers have been customers of the Company for more than 10 years.

This segment is not dependent on any single customer or on a limited number of customers. However, if the Company's engagement with some of its large customers were to be simultaneously terminated, which the Company estimates has a low probability, (and in particular in the banking and finance sector and/or the government and defense sector), or if the engagement terms with these customers were to change materially for the worse, the Company's operating results could be materially adversely affected as a result, but in the Company's view, this does not indicate dependency, particularly since the reference is not to a single customer but to several customers belonging to the same sector.

7.1.4 The following is a table of the percentage distribution of the Company's revenues from its customers, by major areas of activity (sectors) in this segment:

Sector	2025
Government	21.4%
Banking, Finance, and Insurance	16.2%
Defense	14.5%
Industry, Retail, and Commerce	13.1%
Other	34.8%

7.1.5 For details regarding backlog, see Section 8 below.

7.1.6 Marketing and Sales

Sales and marketing are managed from the Company's headquarters, through the Company's sales and marketing departments, which engage in sales through cross-organizational initiatives, work with the various target audiences, both existing and new, retention, leveraging and opening new markets and opportunities, as well as maintaining relations with the Company's key suppliers and building the Company's marketing strategy at the headquarters, division and subsidiary levels.

The sales and marketing activity is adapted to the unique characteristics of each sector. Each sector has a dedicated sales and marketing group, with sales activity carried out by salespeople with specialized training for the sector in which they operate. The Company also employs sales personnel, Pre-sale and Post-sale technology personnel in the business units offering the Company's various services. In some cases, the Company incorporates content experts from among its business partners in marketing activities with potential customers.

In addition to ongoing sales activities, the Company initiates additional marketing activities, through media advertising, participation in exhibitions, creating awareness among employees for generating business opportunities, mailings and organizing conferences, professional customer events and virtual seminars (webinars) as well as digital campaigns and social media activity.

The Company's marketing and distribution expenses in this segment are not material.

7.1.7 Competition

Although Matrix is consistently ranked as a market leader and first in market share in the segment of information technology and value-added services in Israel, there are numerous entities in Israel that provide IT solutions and services, consulting and management. To the best of the Company's knowledge, the Company's competitors in this sector include: Hilan, Malam-Team, One1, TSG, Aman, Elad, Yael, Emet Computing, Amnet, Abra, SQLink, Logon, HMS, SpeedValue, Kyndryl, IBM Israel and others. In addition, dozens of medium-sized and small companies operate in Israel, specializing in areas of activity in which the Company operates, which also constitute competitors of the Company. The Company has no well-founded estimate regarding its market share in this segment.

The main competitors in the engineering sectors are companies for managing engineering projects in the construction and infrastructure domains, engineering design companies, environmental consulting and planning services companies, master plan management companies, such as Eldad Spivak Engineering Company, Gadish Group, Epstein Project Management, Hapat Engineering, Baran Group.

In addition, the large accounting firms ("Big-4"), which also provide IT services in areas such as: BI, cyber, ERP, CRM, cloud and more, as well as consulting and management services. These services constitute direct competition to the Company's business, and in particular in light of these firms' access to senior decision-makers among the Company's potential customer base. To the extent that this trend intensifies, it will constitute a factor impeding the development of the Company's business, due to increased competition.

Most of the IT Solutions and Services, Consulting and Management provided by the Company are not characterized by unique specialization, and therefore the barriers to entry for potential competitors in this segment are relatively low.

However, in the Company's assessment, its specialization in providing IT Solutions and Services, Consulting and Management in specific industries and sectors, its management team, its professional workforce, the efficient utilization thereof, the experience and reputation it has accumulated in providing broad-scope IT solutions and services, consulting and management, its size and financial strength, as well as the broad product portfolio offered by the Company to its customers, afford it important relative advantages. Also, in the Company's assessment, the wide variety of solutions offered by the Company under one roof provides it with an advantage in competing for large and complex projects that require a variety of specializations and solutions, combined with the integration thereof into a comprehensive solution.

The foregoing in this section regarding the Company's competitors and the implications for the Company's operations, and the Company's positioning vis-a-vis its customers, constitutes forward-looking information, as defined in the Securities Law, and is based on management's estimates and business experience. This information may not materialize, in whole or in part, or may materialize differently, including materially differently than expected, as a result of competition in the market and/or as a result of the materialization of all or some of the risk factors set forth in Section 19 of this Report.

7.1.8 Intangible Assets

See Note 9 to the financial statements.

7.2. IT Solutions and Services in the US

For the contribution rates (in percentages) of this segment to the Company's revenues and to operating income for 2024 and 2025 in the US, see Section 1.2.4 of the Board of Directors' Report.

7.2.1 General - Types of Services in the Segment

In the IT Solutions and Services in the US segment, the Company operates through two arms under the subsidiaries Matrix US Holding LLC and Xtivia Technologies Inc., which hold several subsidiaries in the US, including Matrix-IFS, NIT - Network Infrastructure Technologies Inc., Stons Inc.,

Matrix Global Services, Alacer Matrix LLC, Rightstar Inc., and Hydus Technologies India (the "Subsidiaries").

a. Matrix-IFS - The Company provides its customers with solutions and expert services in the sector of GRC (Governance, Risk & Compliance) and Financial Crime, specialized Advisory services in the sector of financial regulatory compliance, implementation and operation services for Regulatory Compliance systems, as well as 24/7 global support services. In addition, the Company provides solutions based on Robotic Process Automation (RPA) and AI & Data services through significant partnerships with the leading companies in this sector - Databricks, Snowflake and others.
   The Company has offices providing GRC services in the US, Canada, London, India and Israel. Most of the Company's customers in the GRC sector are large international financial institutions.
b. Matrix US Holding LLC ("Matrix US") – executes large-scale projects and provides global services through multidisciplinary teams across the Matrix Group. Matrix US serves as the Company's gateway for exporting Matrix's core offerings to the US. Through its extensive delivery network, spanning from its US-based expert center, offshore centers in Israel and India, and Nearshore centers in Eastern Europe, Matrix US supports the performance of complex, multinational engagements and ensures adherence to uniform standards, governance, and technical excellence. Matrix US leverages the full breadth of the Company’s capabilities in the fields of data, artificial intelligence, cybersecurity, digital transformation, and regulatory and compliance solutions as the foundation for global engagements, large-scale transformation programs, and long-term managed services.

Accordingly, Matrix US functions not only as an operating arm in the US market, but also as a strategic platform for the Group's global reach, enabling the Company to provide the Company's technology solutions and consulting services to international clients worldwide.

As part of its US operations, Matrix US leads projects in the sectors of data, analytics and artificial intelligence for customers across various industries. Among other things, the Company has carried out projects for Unilever, including the establishment and upgrade of cloud data platforms for forecasting and operational optimization, as well as a BI and analytics solutions project for project management and control in the construction industry for Gilbane.

c. Xtivia - a wholly-owned subsidiary of Matrix, which provides advanced IT Solutions and Services to a wide range of customers, through 5 key pillars:

   - Data & AI - advanced database management, Data Warehousing and AI-driven data analytics, using leading platforms such as Snowflake, Databricks and Microsoft Fabric.
   - Digital Experience Platforms (DXP) - development of high-performance websites and enterprise portals, with specialization in the Liferay platform as well as Contentful and Strapi, combined with Headless CMS solutions.
   - Managed Services - 24/7 technical support and infrastructure management services, including OpenShift, Dell Boomi and Kubernetes technologies, as well as remote management of central database platforms.
   - Enterprise Solutions - strategic consulting and implementation of leading business applications, including Salesforce, Microsoft Dynamics 365 and Infor CRM.
   - Cloud & Application Development - cloud-native software engineering, DevOps transformation and complex API integrations (MuleSoft, Boomi), as well as strategy, development and implementation services for enterprise CRM systems across various industries, with an emphasis on Salesforce and Microsoft platforms and advanced management services.

   Xtivia also markets a wide range of software products through its subsidiaries: STONS (Second to None Solutions) which provides products from leading technology suppliers, including: IBM, Atlassian, Infor, Boomi, Liferay, BMC, Microsoft, Oracle, marketed to commercial customers and government entities in the US, including federal agencies and defense entities.

   RightStar - a specialized consulting firm in the sector of IT Service Management (ITSM) and DevOps. A senior partner of BMC and Atlassian.

d. The software products are marketed to a wide range of customers, from the business sector to high-profile government entities such as the US government and the Department of Defense - as part of its GovCon activity, as well as as part of transactions with the Ministry of Defense procurement mission in the US.

   AI and Advanced Data Engineering Services - development and deployment of large language models (LLMs) and Generative AI agents customized for organizations, MLOps services for full lifecycle management of models, establishment of AI infrastructures and high-performance data lakehouse architectures, ongoing management and optimization of AI models to maintain accuracy and relevance.

Xtivia operates a development and support center in India, which serves its operations. This development center offers competitive offshore development services to its US customer base.

It should be noted that Magic, the acquisition of which was completed by the Company after the report date, has extensive operations in the US, as detailed, in Section 7.11 of the Magic Business Description. For details regarding the Company's merger transaction with Magic and updates regarding Magic's operations, see Section 1.2.5 above and Section 20 below.

7.2.2 The Services Offered to the Company's Customers in the IT Solutions and Services in the US Segment Include:

Specialized consulting and advisory services in financial regulation, and development, customization and implementation services in the GRC sector by the subsidiaries Matrix-IFS and Alacer. These services are provided on off-the-shelf solutions for regulatory control and risk management systems, such as: Actimize, Oracle Financial Crime Systems, Bottomline Technologies, Nasdaq OMX Smarts, Quantifind, Quantexa and others, and supporting information analytics systems (such as SAS).
A significant portion of Matrix-IFS's activity is based on software systems of leading manufacturers, for which the Company provides supporting services. If Matrix-IFS's relationships with these manufacturers were to change materially for the worse, or if those software manufacturers were to expand the services they provide directly to customers, Matrix-IFS's revenues and profits could be materially adversely affected.

Xtivia and its subsidiaries offer a wide range of services, including consulting, design, development, testing and implementation services. The company has partnerships with a wide range of technology suppliers, with a focus on open-source solutions.

Xtivia implements, through its subsidiaries, solutions from a range of technology solution suppliers in its areas of expertise. The company's customers engage directly with the technology solution suppliers in its areas of expertise, or through Xtivia itself, and interact with it as a distributor, and the company provides its customers with consulting, development and implementation services based on the solutions of those suppliers.

The software solutions and services provided by the subsidiaries to their customers are provided primarily under license agreements for paid work on a "time and materials" (Time & Material) basis. Under these agreements, the price is paid in accordance with the actual working hours of the Company's employees, subject to a rate schedule determined between the Company and the customer. In some cases, the services are provided under fixed price agreements.

The Company carries out projects and provides global services in the US through its subsidiary Matrix US, using personnel from across the Matrix Group, based on a combination of local presence in the US of sales and project managers, with high and rapid execution capability in required sectors, through Group companies in Israel. Accordingly, the Company has developed an integrated practice of hybrid sales (from Israel and the US), with local (American) project management and remote execution management (Israel) or Eastern Europe (offshor).

7.2.3 Customers

In the GRC domain, the Company's operations are focused on large customers in the banking and financial sector (including global banks in the US, Canada and Europe), and it is not dependent on any single customer. However, if the Company's engagements with several of its major customers in this sector were to be terminated simultaneously, or if the terms of engagement with such customers were to materially deteriorate, the Company's operating results could be adversely affected as a result.

In addition, the Company provides the above-mentioned additional services to customers throughout North America, including the US public-government sector. The Company's customers span a wide range of industries and sizes, from small customers to large corporations. Below is a table showing the percentage distribution of the Company's revenues from its customers, by key operating segments (sectors) in this operating segment:

Sector	2025
Banking, Finance, and Insurance	45%
Industry, Retail, and Commerce	13.7%
Defense	8.9%
Hi-Tech	5.5%
Other	26.9%

For details regarding backlog, see Section 8 below.

The statements in this section (including all subsections herein) regarding developments and trends in this segment and the subsidiaries' relationships with leading manufacturers and their implications for the Company's operations constitute forward-looking information, as defined in the Securities Law, based on management's assessments and business experience. Such information may not materialize, in whole or in part, or may materialize in a manner that is different, including materially, from that anticipated, as a result of factors such as an economic slowdown, market competition, and/or the materialization of all or some of the risk factors set forth in Section 19 of this report.

7.2.4 Marketing and Sales

Sales and marketing are managed from the subsidiaries' headquarters in the US through the sales and marketing departments of each subsidiary, which engage in sales through cross-organizational initiatives, engagement with various target audiences — both existing and new — customer retention, leveraging and opening new markets and opportunities, as well as maintaining relationships with the Company's key suppliers, and more. Sales activities are carried out by sales personnel with specialized training for the sector in which they operate, tailored to the unique characteristics of that sector.

The sales method is, in most cases, direct, while maintaining relationships with existing customers and expanding the services provided to them, and proactively and directly approaching organizations identified as sales targets.

The subsidiary Xtivia also operates a remote telesales center from the Company's site in India. NIT, another subsidiary, also operates a telesales center (in the US, Eastern Europe and India).

The subsidiaries' marketing and distribution expenses in this segment are immaterial.

7.2.5 Competition

There are many entities in the US that provide services in the subsidiaries' sectors of operations. In some cases, competition is against companies providing offshore services (mainly from India) at reduced rates. The Company has no well-founded estimate regarding its market share in this segment; however, its share of the US market is negligible. Some of the services the Company provides in this operating segment are characterized by specialization and unique regulatory expertise, providing the Company with a competitive advantage.

In the GRC domain, the Company competes in some cases against very large entities such as IBM, Accenture, Oracle and the consulting arms of the Big-4 accounting firms, as well as system manufacturers that provide implementation and support services for their own systems, competing with the Company's services.

As part of addressing the competitive conditions prevailing in this segment, the Company balances its operations among its various development centers and enables Low Cost solutions by performing some activities at its offshore centers in India and Eastern Europe, a local nearshore development center in the US in Tampa, Florida, recruiting full-time remote employees throughout the US, and by utilizing development resources in Israel.

Additionally, the Company is working to expand its service offering (including through additional business partners and the development of new service delivery models) and to expand its operations through acquisitions.

7.2.6 Intangible Assets

See Note 9 to the financial statements.

7.3. Marketing and Support of Software Products

For the contribution rates (in percentages) of this segment to the Company's revenues and to income from ordinary operations in 2024 and 2025, see Section 1.2.4 of the Board of Directors' Report.

7.3.1 General

Operations in this segment focus on the distribution, sale, support and implementation of software products and software infrastructure of leading software companies (mainly international) in their respective sectors. Operations include professional teams certified by the software manufacturers to provide pre/post-sale support, implementation, training and maintenance services.

The Company serves as a distributor and marketer of software products in diverse sectors, including computer systems management products, infrastructure products for IT Service Management (ITSM), a variety of open-source systems, user experience monitoring and management systems, software lifecycle management (ALM) products, application integration software products, cybersecurity products, communication solutions, virtualization, knowledge management products, databases and big data, software development and testing tools, business continuity software solutions, process automation solutions, platforms for in-house application development and Low Code solutions, and advanced predictive solutions for fault prevention. The software products marketed by the Company are made by leading software companies in their respective sectors, such as BMC, Red-Hat, PTC, and others. The Company is also working to strengthen its operations in the sector of engineering computing and PLM solutions marketed by the Company as a gateway to the IIOT – Industrial Internet Of Things and "Industry 4.0" domain.

The Company's operations integrate the sale, implementation, integration and support of software solutions and advanced IT infrastructure, while providing customers with a comprehensive service envelope throughout the solution's lifecycle – from the specification and consulting phase, through licensing and implementation, to support, maintenance and ongoing guidance services.

This activity focuses on several key areas of specialization, including infrastructure solutions and enterprise platforms, system performance monitoring and management (Observability), cybersecurity, advanced data platforms, artificial intelligence and developer productivity solutions (AI & Developer Productivity), Mainframe solutions and legacy environments, and digital customer experience (DXP – Digital Experience Platforms). Xtivia provides managed services, professional services, and consulting and assists organizations in the migration to modern and cloud environments.

Key trends during the reporting period:

a. Following the trend of construction of large data centers in Israel by international entities and the establishment of the governmental and public cloud infrastructure ("Nimbus"), the Company works in cooperation with the suppliers it represents to provide sales services also through the public cloud Marketplace. The Company monitors the policies of the software suppliers it represents, as well as additional software suppliers it may add to its portfolio.

b. The Company develops and distributes complementary solutions for NVIDIA's communication infrastructure, with a focus on the marketing and distribution of advanced communication hardware integrated in large data centers.

c. Acceleration of AI solution implementation in organizations – there is a notable increase in demand for advanced data platforms, AI-based development tools and large-scale data management and processing solutions that support the development and deployment of artificial intelligence applications.

d. Continued use of Mainframe platforms – large organizations continue to operate Mainframe systems alongside modern cloud systems, creating demand for software solutions enabling management, integration and development in these environments.

e. Against the backdrop of the Swords of Iron War, the Company expanded its operations in this segment with the Ministry of Defense, expanding the range of products it distributes and markets, and broadening the engagement framework under which defense entities purchase software products from recognized Ministry of Defense suppliers.

f. Transition by most software manufacturers from a Perpetual licensing and annual maintenance model to an annual subscription model, leading to changes in the revenue stream, which is spread evenly over time, and to a different customer engagement model. On the one hand, the transition to the subscription model reduces the Company's current revenues from software products in the short term; on the other hand, in the medium-to-long-term, it expands the Company's Recurring Revenues base.

g. Open-source solutions – the Company has an agreement to market the software solutions of Red-Hat, which is considered the world's leading commercial player in the open-source solutions domain. In line with this trend, the Company continues to expand its offering of open-source-based solutions.

h. End-to-end automated digital management trend – the digital acceleration and the need for agility (availability and flexibility) require organizations to provide employees with advanced and intelligent systems that are not dependent on any specific time or place and can be operated through various channels (including mobile phones), including LMS learning systems and infrastructure applications for day-to-day operations.

The statements in Section 7.3.1 (including all subsections herein) regarding developments and trends in this segment constitute forward-looking information, as defined in the Securities Law, based on management's assessments and business experience. Such information may not materialize, in whole or in part, or may materialize in a manner that is different, including materially, from that anticipated, as a result of factors such as an economic slowdown, market competition, and/or the materialization of all or some of the risk factors set forth in Section 19 of this report.

7.3.2 Products and Services

The Company's operations in this segment include the distribution, marketing, sale, consulting, implementation, support and deployment of software products (mainly from abroad), the principal ones being: [1] infrastructure solutions primarily used by IT managers in organizations for operating and controlling systems, as well as for IT Service Management; (2) solutions in the area of software development lifecycle management (ALM) intended for software development managers in organizations; [3] application solutions used by the organization itself in managing its business; [4] solutions for managing the organization's databases, with an emphasis on data mining, database management and deriving insights (data science/Predictive Analytics/BIG DATA Management platform/AI); [5] smart Industry 4.0 solutions and advanced engineering solutions (IoT/CAD/AR/PLM); [6] distribution of integration, communication and cybersecurity solutions across all layers, through the subsidiary Zebra.

The Company has agreements with a large number of overseas software manufacturers for the marketing (in most cases on a non-exclusive basis) of their products in Israel, as well as with several Israeli software manufacturers. In addition, in order to maintain the relevance of its product line, the Company operates a business development team that identifies new trends and products in the local and international markets, for the purpose of engaging with new suppliers to expand the Company's product offering.

In some cases, the Company is the sole de facto entity (even if not on the basis of an exclusive distribution agreement with the supplier) representing and marketing the said software products in Israel, and in other cases, there are additional entities selling and distributing the same products, including, in some cases, local branches in Israel of the software manufacturers. Marketing rights are typically renewed annually or periodically. Based on its past experience, the Company estimates that most such agreements have been renewed (except in cases where the software supplier was acquired by another company).

Under the Perpetual license sales model, the Company enters into agreements with its customers for the sale of software for a one-time payment, as well as maintenance agreements under which it provides them with maintenance services for the products it markets, in accordance with its customers' requirements and needs, and at prices determined through negotiations between the Company and its customers, based on the maintenance price lists of the software manufacturers.

Under the subscription model, the Company enters into agreements with its customers for the use of software products on a monthly/annual subscription basis. These agreements are signed for a period of one year or more. As noted above, under this type of engagement, customer satisfaction is critical for subscription renewal, and therefore the Company invests extensively in maintaining customer satisfaction to ensure Customer Success.

The Company provides various types of software products, to some of which it adds a diverse supplementary envelope including, setup and customization of off-the-shelf products, product add-ons, migration services, translation and adaptation services for local market needs, implementation and deployment of guidance and training services for products, integration of different solutions, and the like.

The Company provides its customers with support, maintenance and version update services for the software products it markets. To this end, the Company operates, an ISO-certified and audited help-desk support center for handling customer inquiries.

Following the engagements with customers, the Company purchases the software products (or the subscription to the software product) from the relevant software manufacturers (either at the prices stipulated in the agreements, or at prices that include special discounts, particularly in the case of sales to large customers and/or in large-scale transactions). Although the products are intended for the Company's customers, the Company is generally the party bearing responsibility vis-a-vis customers, including the financial risks involved in engagements with the software manufacturers (such as customer credit, cancellations and/or changes to agreements, product returns, and the like).

The software products marketed by the Company are sometimes integrated within the software solutions it offers. In other cases, software product sales are combined with solutions, products and services provided by business partners with whom the Company has engaged, and are sold jointly to the partners' customers as part of a solution/product for the end customer (OEM).

The Company handles problems arising in connection with the use of the software it markets – in some cases without the customer needing to contact the software manufacturer directly (1st and 2nd Level support), and in some cases with the assistance of the software manufacturer (3rd Level support). In some cases, the Company provides a warranty for a period of up to twelve months for the software packages it supplies (usually back-to-back with the warranty period provided by the software manufacturers). Based on past experience, the Company does not record a warranty provision in its financial statements. Upon expiration of the warranty period, the Company offers its customers a paid maintenance agreement for the system.

7.3.3 Customers

The Company's operations in this segment focus on medium and large companies and organizations operating in a wide range of economic sectors: government ministries, the IDF and the defense entities, banks and financial institutions, insurance companies, Hi-Tech companies, industrial enterprises, marketing and distribution chains, national infrastructure entities, start-up companies, and more. In addition, the Company sometimes sells software products through business partners that provide software solutions based in part on the software products sold by the Company. In some cases, software products are sold to customers who integrate those products into their own software solutions that are sold to end customers of those Company customers (OEM agreements).

Engagement for the sale of software products is generally made directly between the Company and the customer. Software maintenance services provided by the Company are priced as a percentage of the software product price. Product implementation is priced based on a rate card (hourly, daily, monthly, etc.) agreed-upon between the parties, or on a fixed price project basis.

The Marketing and Support of Software Products segment is not dependent on any single customer or a limited number of customers.

The following table presents the percentage breakdown of the Company's revenues from its customers by major operating sectors in this segment:

Sector	2025
Hi-Tech	32.6%
Banking, Finance, and Insurance	18.1%
Industry, Retail, and Commerce	5.9%
Government	5.4%
Other	38%

For details regarding backlog, see Section 8 below.

7.3.4 Marketing and Sales

Marketing and sales activities are divided into marketing and sales by sectors and marketing and sales by product lines, or a combination of both (a matrix structure).

The Company's operations in the hardware products domain include a dedicated distribution arm for NVIDIA hardware solutions in the networking domain, distribution of Red Hat software and others.

In addition to ongoing sales activities, the marketing team initiates software product marketing activities through participation in exhibitions, digital campaigns and the organization of conferences and seminars.

The Company's marketing and sales expenses in this segment are immaterial.

7.3.5 Competition

The Company competes with numerous entities operating in the software products domain that compete in each of the product lines it sells. In most cases, the Company competes with Israeli companies that sell competing software manufactured by overseas software manufacturers, or with local branches of overseas software manufacturers. In a minority of cases, the Company competes with Israeli companies that have developed competing software products.

The unique factors affecting competition in this segment are the relative positioning of the products sold by the Company, the experience and capability in product maintenance and support, and the implementation experience with respect to the software products sold. To the best of the Company's knowledge, its main competitors in this segment include, among others: Hilan, Malam-Team, One1, Aman, Bynet, and others. Additionally, cloud infrastructure providers such as AWS, Google and Microsoft Azure constitute competition by offering customers the option of purchasing subscriptions to third-party software directly from them.

The Company has no substantiated estimate of its market share in this segment.

7.3.6 Suppliers

A significant portion of the Company's operations in this segment is based on several large suppliers (software manufacturers), in addition to other, smaller suppliers for which the Company serves as an authorized supplier of their products pursuant to distribution agreements signed with them. If the Company's engagement with these suppliers, or most of them, is terminated, or if the terms of engagement change materially, or if the demand for such suppliers' products decreases materially, or if additional distributors are appointed beyond those existing today, or if these suppliers are acquired by competing software manufacturers, or if these suppliers expand the scope of their direct operations in Israel, the Company's revenues and profits from this segment could be materially adversely affected.

The statements in this Section 7.3 (including all subsections herein) regarding developments, risks, opportunities and trends in this segment constitute forward-looking information, as defined in the Securities Law, based on management's assessments and business experience. Such information may not materialize, in whole or in part, or may materialize in a manner that is different, including materially, from that anticipated, as a result of factors such as an economic slowdown, market competition, and/or the materialization of all or some of the risk factors set forth in Section 19 of this report.

7.3.7 Intangible Assets

See Note 9 to the financial statements.

7.4. Cloud and Computing Infrastructures

For the contribution rates (in percentages) of this segment to the Company's revenues and to income from ordinary operations in 2024 and 2025, see Section 1.2.4 of the Board of Directors' Report.

7.4.1 General

In the Cloud and Computing Infrastructures segment, the Company's operations include:

- Development of AI services for customers, such as connecting business systems to LLM models for reading, writing and analytics using AI. Development of solutions in a Service as a Software model in order to provide higher-quality service to customers.
- Over the past year, demand has been growing for infrastructure and cloud solutions supporting artificial intelligence (AI) workloads, particularly machine learning (ML) and Generative AI, which require dedicated compute resources, advanced storage capabilities and secure data infrastructure.
- Cloud services – sales, services and support for the public cloud (PaaS, SaaS, IaaS) and the private cloud through the CloudZone unit; for further details, see Section 7.4.2 below.
- Sale and marketing of personal computers, desktops and laptops, servers, workstations, tablets, storage systems, backup, disaster recovery (DRP), business continuity (BCP) and peripheral and ancillary equipment including monitors, printers, copiers, enclosures and communication cabinets, print centers and data centers.
- The Company's operations in the areas of laptops, servers and storage systems focus on the marketing of branded systems of large, experienced and reputable international companies such as HP, Lenovo, Dell, Cisco and EMC. The Company also has expertise in disaster recovery (DRP), business continuity (BCP), backup, storage and virtualization, primarily on EMC, HP and VMWARE platforms.
- The Technology Center provides maintenance services for computers and complementary equipment, including setup, upgrade, management, monitoring and full responsibility for the ongoing operation of computing and communication infrastructure at the customer's site and on public and private cloud infrastructure, software and hardware maintenance, support and maintenance, lab services, PC and network technician services, managed IT services and 24/7 user support centers and help desk, customer service centers (call centers) with nationwide coverage, and placement of professional personnel at the customer's site and at remote locations.
- Professional services – consulting and provision of professional services in the sector of integration and computing infrastructure, including feasibility and technological compatibility studies, risk surveys, specification, planning, development, installation, implementation, training, management, supervision and execution of integration projects.
- DataZone – solutions in the areas of NoSQL Databases and big data through the DataZone unit.
- Outsourcing – partial or full, at the customer's site or at remote locations.

- Networking – providing infrastructure solutions for enterprise communication systems, HP Aruba Platinum Partner, Cisco Gold Partner. Working on passive communication networks (cabling infrastructure, server rooms) and active networks (data center, WAN, LAN, network switches, IP PBX, server rooms and additional advanced communication solutions).
- Data Protection – hardware and software solutions that protect data against ransomware attacks and enable rapid recovery, whether the data resides in a private cloud or a public cloud.
- Modern managed backup services for cloud services such as Gsuite, Dynamics, Salesforce, M365, Atlassian and more.
- Within its operations in this segment, the Company offers its customers comprehensive premium solutions delivered by experts holding the highest certification levels from manufacturers such as Veeam, Dell, Exagrid, AvePoint, Zerto, Cohesity and more.

- GPU – the Company provides sales, planning, supply and implementation of high-performance computing (HPC) infrastructure and dedicated AI infrastructure, including GPU-based servers and workstations as well as CPUs and complementary acceleration solutions, tailored to machine learning and Generative AI workloads. The Company operates as an NVIDIA Elite Partner and leads end-to-end (Turn-Key) projects – from specification and architecture, through hardware supply, installation and configuration, integration with storage/network/cybersecurity infrastructure, to operational deployment, monitoring, support and managed services. The solution includes adaptation to diverse deployment models: On-Prem, private cloud, public cloud and hybrid, with an emphasis on performance, scalability, availability and cost optimization.
- The solutions offered by the Company in this segment also include value-added services in the following areas: cloud services (including consulting, architecture and implementation guidance), edge infrastructure, data communications, local and wide area networks, multimedia solutions, the full range of services in the Microsoft environment, storage and backup, cybersecurity, connectivity and comprehensive internet environment solutions.

  The value-added solutions in the infrastructure domain constitute an additional layer in the range of products, services and solutions offered by the Company to its customers, enabling it to provide a comprehensive and all-encompassing IT solution. The existence of both the enterprise infrastructure domain and the computing and communications domain under one roof enhances the Company's competitiveness in executing comprehensive IT projects.

  In the sector of trade and distribution of advanced hardware products, the Company's operations include:

- Audio – import and distribution of professional audio equipment and professional lighting, through the subsidiary Tech-Top Marketing Ltd.
- Office automation – providing a comprehensive range of office automation and printing and document production services through the subsidiary Gestetnertec Ltd. In addition, 3D scanning services and marketing of 3D printing equipment using various printing technologies through Caliber – Engineering and Computers Ltd., a subsidiary of Gestetnertec.

- Control and automation solutions and systems, test and measurement equipment (T&M), advanced technological solutions for data communication testing, EMC and Radio Frequency (RF), and the provision of support and calibration services for various sectors through the subsidiaries RDT Equipment and Systems (1993) Ltd. and Asio Vision Ltd.
- Import, sale and provision of services for automatic manufacturing machines for component assembly and automatic testing machines for assembly processes and components on production lines in the sectors of industrial, medical and military instrumentation, lasers and sensors for civilian and defense applications, optical communication systems, and automotive radar systems, through the subsidiary Ortec.

7.4.2 Services Offered to the Group's Customers in This Segment:

a. Infrastructure solutions – for computing and communication systems, hardware and peripheral equipment sales, computer network integration, sale and implementation of Microsoft products, and the provision of service and maintenance for such products. In addition, the Cloud and Computing Infrastructures division specializes in virtualization solutions based on VMWARE products.

b. CloudZone – a dedicated company within the Cloud and Computing Infrastructures division, consolidating the cloud solutions marketed by the Group in Israel and Europe. The company offers technology companies, enterprise organizations, government ministries, public sector entities, SMB organizations and startups managed cloud computing services delivered by a professional and experienced team of experts, as well as advanced AI solutions in a Service as Software model. The company's services include support and guidance at all stages of the implementation lifecycle: consulting, architecture, development, deployment, environment management, financial optimization services (FinOps), guidance services for SaaS migration processes, onboarding to the various cloud providers' Marketplace, and customer guidance through an Alliance Lead as a service offering. Additionally, the company provides cost savings services alongside optimal operational efficiency by delivering managed data services to customers powered by AI solutions. The company is a partner of the leading cloud providers: Amazon Web Services, Microsoft Azure, Google, Anthropic, and is a Premier Consulting Partner and Reseller of Amazon Web Services, Gold Microsoft, Cloud Service Provider and Google Cloud Platform Reseller, and holds numerous competencies such as AWS migration, DevOps, AI, security, data and analytics, and operations competencies, enabling it to provide professional services in the various domains of the public cloud.

   Additionally, the Company expanded its operations in the hybrid cloud domain to private cloud services called InnerCloud. As part of InnerCloud, the Company established a private cloud in Israel, enabling it to provide customers with a unique hybrid solution through, among other things, a high-speed direct connection to the public cloud – Cloud Port.

c. DataZone – services in the sector of management and analysis of large-scale data infrastructure are provided through the DataZone business unit, a dedicated unit within the Cloud and Computing Infrastructures division, which provides comprehensive solutions for managing and analyzing next generation data repositories – NoSQL, big data, etc. The unit offers organizations a comprehensive response to business challenges arising from multiple data sources and a significantly faster pace of data flow than in the past. The unit's services include guidance at the architecture specification stage, technological research, examination and evaluation of the required solutions, implementation of solutions through to go-live, and providing customers with training and certification on the technology. The unit is a partner of leading companies in the global big data market; among the leading solutions is Elastic technology, an enterprise search engine enabling built-in search capabilities combined with Machine Learning and GenAI tools on data, monitoring systems, cybersecurity – SIEM and Endpoint Security solutions. The unit distributes products by Compulocs and Spin.ai.

d. Office automation – through the subsidiary Gestetnertec, which provides businesses with comprehensive solutions in the sectors of printing services, document production and knowledge management, and markets, among other things, advanced office automation solutions including laser printers, copiers, fax machines, shredders and auxiliary document handling equipment (such as binding, cutting, etc.) and print and printer management software for local networks. Gestetnertec provides service for tens of thousands of machines of various types installed at its customers' sites. Brands include Canon, Triumph-Adler, Brother, Ricoh and Xerox.

   The Company also operates in the sector of 3D printer marketing through Caliber (a subsidiary of Gestetnertec), which engages in the distribution, sale and provision of services for sophisticated engineering solutions, including specialized software and 3D scanning services.

e. Control, automation, test equipment and machine vision solutions – through the subsidiaries RDT and Asio, which provide their customers with equipment from the world's leading manufacturers in the sectors of testing, measurement, communication and machine vision. In addition, the companies provide projects and solutions in the sector of automation based on controllers, sensors, cameras and the like. RDT and Asio also provide their customers with repair and calibration services at the companies' laboratories and at customer facilities.

f. Import, distribution, sale and provision of support and characterization services for automatic manufacturing machines for component assembly and automatic testing machines for assembly processes and components on production lines in the sectors of industrial, medical and military instrumentation, lasers and sensors for civilian and defense applications, optical communication systems, and automotive radar systems, through the subsidiary Ortec.

7.4.3 Trade receivables

The Company provides its solutions, services and products to a wide range of customers across various economic sectors. Most of its customers in this segment are medium and large companies operating in the sectors of industry, Hi-Tech, finance, public and government institutions, educational institutions and local authorities, as well as defense industries.

Gestetnertec provides service to approximately 6,500 customers from various sectors, large and small. Gestetnertec's typical engagement model with its customers is based on a service contract for a period of 3–5 years.

The following table presents the percentage breakdown of the Company's revenues from its customers by major operating sectors in this segment:

Sector	2025
Hi-Tech	28.9%
Industry, Retail, and Commerce	15.7%
Government	12.5%
Defense	7.3%
Other	35.6%

For details regarding backlog, see Section 8 below.

7.4.4 Marketing and Distribution

The Company operates separate marketing and sales teams for the following sub-segments: computing and communication infrastructure solutions, cloud solutions, computer and peripheral equipment marketing, printing services and office automation, control, automation and T&M, machine vision, smart automatic machines on production lines, and audio. In each sub-segment, marketing and sales activities are carried out by dedicated sales personnel. Typically, such marketing and sales personnel have specialized training for the relevant activity. Marketing and sales activities in each sub-segment are divided by product and solution lines.

In addition to ongoing sales activities, the Company initiates marketing activities through conferences, seminars, digital media campaigns and proactive outreach to potential customers.

RDT and Asio have developed advanced marketing capabilities based on dedicated seminars in which they present advanced technologies, forward-looking roadmaps and the like to customers. Additionally, in recent years, these companies have undergone a digital transformation process, and they currently invest in digital marketing with direct outreach to customers through various media channels.

The Company's marketing and distribution expenses as described above are immaterial in amount.

7.4.5 Competition

Infrastructure solutions – there are numerous entities engaged in providing computing and communication infrastructure solutions and in marketing computers and peripheral equipment. Operations in this domain are not characterized by dedicated or unique expertise, and therefore entry by potential competitors into this domain is relatively easy. To the best of the Company's knowledge, its main competitors in the computing and communication infrastructure solutions domain are One1, Malam-Team, Bynet Communications, and additionally a number of small-to-medium-sized companies.

Computers and peripheral equipment – there are several additional distributors in Israel of branded systems from the manufacturers whose systems the Company markets, the principal ones of which, to the best of the Company's knowledge, are One1, Malam-Team and Emet Computing, in addition to a number of small-to-medium-sized companies.

In the cloud solutions domain, the Company competes with companies providing cloud services, the principal ones of which, to the best of the Company's knowledge, are All Cloud, DoIT, and the major cloud providers themselves through direct sales to customers: Microsoft, Google and Amazon Web Services.

Office automation – the market is characterized by relatively high barriers to entry, including substantial capital investments in machines and the establishment of logistics and service networks. To the best of the Company's knowledge, its main competitors in this domain are Getter, Yazamco, Maf'il, Copytech and Tziluma'atik.

RDT – operates in a variety of sectors and has no direct competitors across all its sectors combined; however, it has competitors in each individual sector. For example, in the testing and measurement sector, the company competes with companies such as Snitek and UniT. In the automation sector, RDT competes with companies such as Siemens, ABB, Zik, and others.

Ortec – the Company has no substantiated estimate of its market share in any of the above sectors. Among its competitors are: DKR, ASI, Gsuite, TRI, Electron Chelg, and others.

The Company has no substantiated estimate of its market share in any of the above sectors.

7.4.6 Trade payables

A significant portion of the Company's operations in this segment is based on several suppliers for which the Company serves as an authorized supplier of their products (on a non-exclusive basis).

A significant portion of Gestetnertec's operations is based on a number of suppliers for which it serves as an authorized supplier of their products, such as Canon, Triumph-Adler, IDEAL, and Brother. Among the suppliers of the subsidiary Caliber: Envisiontec, Prusa, Raise, and 3Dsystems.

A significant portion of RDT and Asio's operations is based on several suppliers for which they serve as authorized suppliers of their products, such as Fluke, Unitronics and TDK Lambda.

A significant portion of Ortec's operations is based on several suppliers for which it serves as an authorized supplier of their products, such as Besi, Cyberoptic, Ficontec, Mycronic, Yelo, Essegi Automation, and the like.

If the Company's engagement with some of these suppliers is terminated, or if the terms of engagement with such suppliers change materially, or if the demand for the said suppliers' products decreases significantly, or if additional distributors are appointed beyond those existing today, the Company's revenues from these segments will be adversely affected.

7.4.7 Inventories

In this segment, the Company is required to maintain inventory in order to provide an immediate response to customers' unforeseen needs as part of the comprehensive service provided to them. A large portion of the inventory held by the Company consists of hardware and equipment that has been ordered and sold to customers but not yet delivered. Nevertheless, the level of inventory held by the Company is also determined based on sales forecasts prepared by the marketing and sales teams for the various products and taking into account the delivery times of the equipment manufacturers. Additionally, in certain cases, the Company purchases products for inventory that, in the Company's assessment, it will not have difficulty selling to customers and that the manufacturer is offering at an opportunistic price. As a rule, the inventory lifecycle does not exceed approximately three months.

The Company maintains adequate inventory levels while taking into account demand levels and product availability. Accordingly, in recent years, the Company has prepared and planned long-term available inventory in view of global production and supply chain disruptions, which were reflected, among other things, in extended shipping times. This preparedness contributed to the Company's ability to provide its customers with solutions within a reasonable timeframe, even during periods of delivery difficulties.

For further details, see Note 7 to the financial statements.

7.4.8 Intangible Assets

See Note 9 to the financial statements.

8. Backlog

Total Company (consolidated)

Expected revenue recognition period	Backlog as of December 31, 2025 (NIS thousands)	Backlog as of December 31, 2024 (NIS thousands)	Change (%)
First quarter	1,443,193	1,353,222	
Second quarter	1,316,138	1,194,479	
Third quarter	1,317,115	1,214,086	
Fourth quarter	1,402,997	1,205,744	
Backlog for the upcoming year	**5,479,443**	**4,967,531**	**10.3%**
Beyond the current year	2,013,316	2,061,628	
Total backlog	**7,492,759**	**7,029,159**	**6.6%**

Expected revenues included in the backlog are presented in accordance with the accounting standards for revenue recognition. Accordingly, revenues from certain transactions are presented in the backlog on a net basis.

Below are the backlog balances by segment:

IT Solutions and Services, Consulting, and Management in Israel (NIS thousands)

Expected revenue recognition period	Backlog as of December 31, 2025	Backlog as of December 31, 2024	Change (%)
First quarter	907,520	817,241	
Second quarter	868,842	766,082	
Third quarter	876,487	780,511	
Fourth quarter	910,831	770,544	
Backlog for the upcoming year	**3,563,680**	**3,134,378**	**13.7%**
Beyond the current year	1,647,733	1,746,670	
Total backlog	**5,211,413**	**4,881,048**	**6.8%**

IT Solutions and Services in the US (NIS thousands)

Expected revenue recognition period	Backlog as of December 31, 2025	Backlog as of December 31, 2024	Change (%)
First quarter	102,208	89,153	
Second quarter	103,795	91,559	
Third quarter	105,168	92,382	
Fourth quarter	106,623	90,309	
Backlog for the upcoming year	**417,794**	**363,403**	**15%**
Beyond the current year	20,775	10,084	
Total backlog	**438,569**	**373,487**	**17.4%**

Marketing and Support of Software Products (NIS thousands)

Expected revenue recognition period	Backlog as of December 31, 2025	Backlog as of December 31, 2024	Change (%)
First quarter	72,921	86,647	
Second quarter	81,828	79,131	
Third quarter	72,418	77,574	
Fourth quarter	105,353	79,704	
Backlog for the upcoming year	**332,520**	**323,056**	**2.9%**
Beyond the current year	108,205	82,926	
Total backlog	**440,725**	**405,982**	**8.6%**

Cloud and Computing Infrastructures (NIS thousands)

Expected revenue recognition period	Backlog as of December 31, 2025	Backlog as of December 31, 2024	Change (%)
First quarter	360,544	360,181	
Second quarter	261,674	257,707	
Third quarter	263,042	263,620	
Fourth quarter	280,190	265,187	
Backlog for the upcoming year	**1,165,450**	**1,146,695**	**1.6%**
Beyond the current year	236,602	221,948	
Total backlog	**1,402,052**	**1,368,643**	**2.4%**

The backlog is based on signed agreements and/or orders and framework agreements, which may not necessarily be fully utilized.

Generally, as is customary in the Company's areas of activity, most of the Company's engagements with its customers are subject to cancellation or scope reduction upon prior notice by the customer. Naturally, the Company has no information regarding the plans and intentions of customers with respect to cancellable orders. Nevertheless, the rate of cancellation of engagements at Matrix during the reporting periods was not material. In light of the Company's areas of activity, it considers it valuable to provide disclosure regarding orders even if the customer has the right to terminate or cancel the engagement.

A large portion of the orders taken into account in the backlog, primarily in the IT Solutions and Services in Israel and in the US segments, relate to the provision of staffing and professional expert services, for which the expected revenues are calculated as the product of the number of professionals required to perform the services at the customer's premises multiplied by the consideration offered to the Company for such employees. The professional services provided by the Company to the customer are ongoing in nature and may be terminated or reduced by the customer at short notice. As noted, some of these engagements are in the form of framework agreements, for which the Company assumed, in calculating the backlog, expected revenues equal to the revenues from existing orders (generally based on existing employees providing expert services, managed services, etc. as of the report date) for a period of 12 months of activity only. During the reporting periods, there were no material differences in the estimates and assessments taken into account with respect to the framework agreements presented as part of the backlog. Expert services in Israel are subject to seasonality (for further details, see Section 9 below).

The data regarding the expected revenue recognition of the backlog are estimates only and constitute forward-looking information, as defined in the Securities Law, based on past experience and the planned timelines in accordance with the various engagements. Changes in these underlying assumptions that led to the aforementioned estimate or that otherwise affect the estimates, or the materialization of all or part of the risk factors in Section 19 of the Report, may change the Company's estimate regarding the expected revenue recognition of the backlog compared to the data presented above, including materially so.

9. Seasonality

The Company's revenues are directly affected by the number of professionals providing software services and the duration for which services are provided. Accordingly, in quarters in which the number of working days is lower compared to other quarters, there is a decrease in revenues from professional software services compared to quarters with a higher number of working days (excluding other factors such as new engagements and termination of existing engagements).

The distribution of quarterly standard hours in Israel for 2025 and 2026 as of the report date:

	Q1	Q2	Q3	Q4
2025	25.5%	24.5%	25.4%	24.6%
2026	25.3%	23.8%	25.2%	25.7%

The second and fourth quarters of 2025 were the weakest in terms of seasonality and potential working hours due to the fact that Israeli holidays fell mostly in the second and fourth quarters.

In 2026, seasonality is expected to follow a normal pattern, with the second and third quarters expected to be the weaker in terms of potential working hours (primarily due to the timing of holidays).

The principal effect of the seasonality described above is in the IT Solutions and Services, Consulting, and Management in Israel segment.

In the US, seasonality is not significant; however, a slight (non-significant) decrease in business activity can be observed toward year-end and the beginning of the year, due to the Christian holidays.

The statements in this Section 9 regarding expected seasonality in 2026 constitute forward-looking information, as defined in the Securities Law, based on management's estimates, past experience, and the data currently available to it. This information may not materialize, in whole or in part, or may materialize differently, including materially differently than expected, as a result of factors such as competition in the market and/or as a result of another or additional impact on seasonality unrelated to the timing of the holidays, or the impact of the holidays may not be as expected, and/or as a result of the materialization of all or part of the risk factors set forth in Section 19 of the Report.

10. Property, Plant, and Equipment, Real Estate and Facilities

As of December 31, 2025, the Company leases office space throughout Israel (primarily in Kfar Saba, Tel Aviv, Rosh Ha'Ayin, Jerusalem, Modi'in, Tirat HaCarmel, Beit Shemesh, Tefen, and Lod) with a total area of approximately 77,278 sq.m. The lease agreements are for various terms, and, as a rule, the Company is granted options to extend the lease period. The Company seeks to enter into lease agreements for periods of 3-4 years, while maintaining flexibility during the lease term. The Company also leases office space outside Israel (in Bulgaria, North Macedonia, India, the US, and England) with a total area of approximately 4,566 sq.m.

For details regarding the Company's material lease agreements, including the lease agreement for the Company's new office building in Kfar Saba, see Note 16C to the financial statements.

Below are details regarding property, plant and equipment as of December 31, 2025:

Use	Area (sq.m.)	Type of right in property
Development	14,971	Lease (up to three years)
Management and sales	3,742	
Warehouses	2,750	
Training	5,571	
Call Center	4,998	
Development	24,352	Lease (over three years)
Management and sales	6,088	
Warehouses	12	
Training	1,688	
Call Center	13,105	
Management, sales, development, Call Center	4,566	Lease overseas

Most of the payments specified in the aforementioned lease agreements in Israel are denominated in NIS and are linked to the Consumer Price Index. Regarding guarantees for rental payments, see Section 13, Financing, below.

11. Human Capital

11.1 As of the report date, the Company employs 12,880 employees.

Below is the breakdown of the Company's employees by segment:

	Number of employees as of 31.12.25	Number of employees as of 31.12.24
Management and administration	280	270
IT Solutions and Services, Consulting, and Management in Israel	10,730	9,596
IT Solutions and Services in the US	699	570
Marketing and Support of Software Products	202	197
Cloud and Computing Infrastructures	969	937
Total	**12,880**	**11,570**

11.2 The Hi-Tech sector and demand for technological human capital

In 2025, a moderation was observed in the trend of the shortage of technological human capital and a change in the mix of technological professions - see Section 6.4 above and Section 1.1.1 of the Board of Directors' Report.

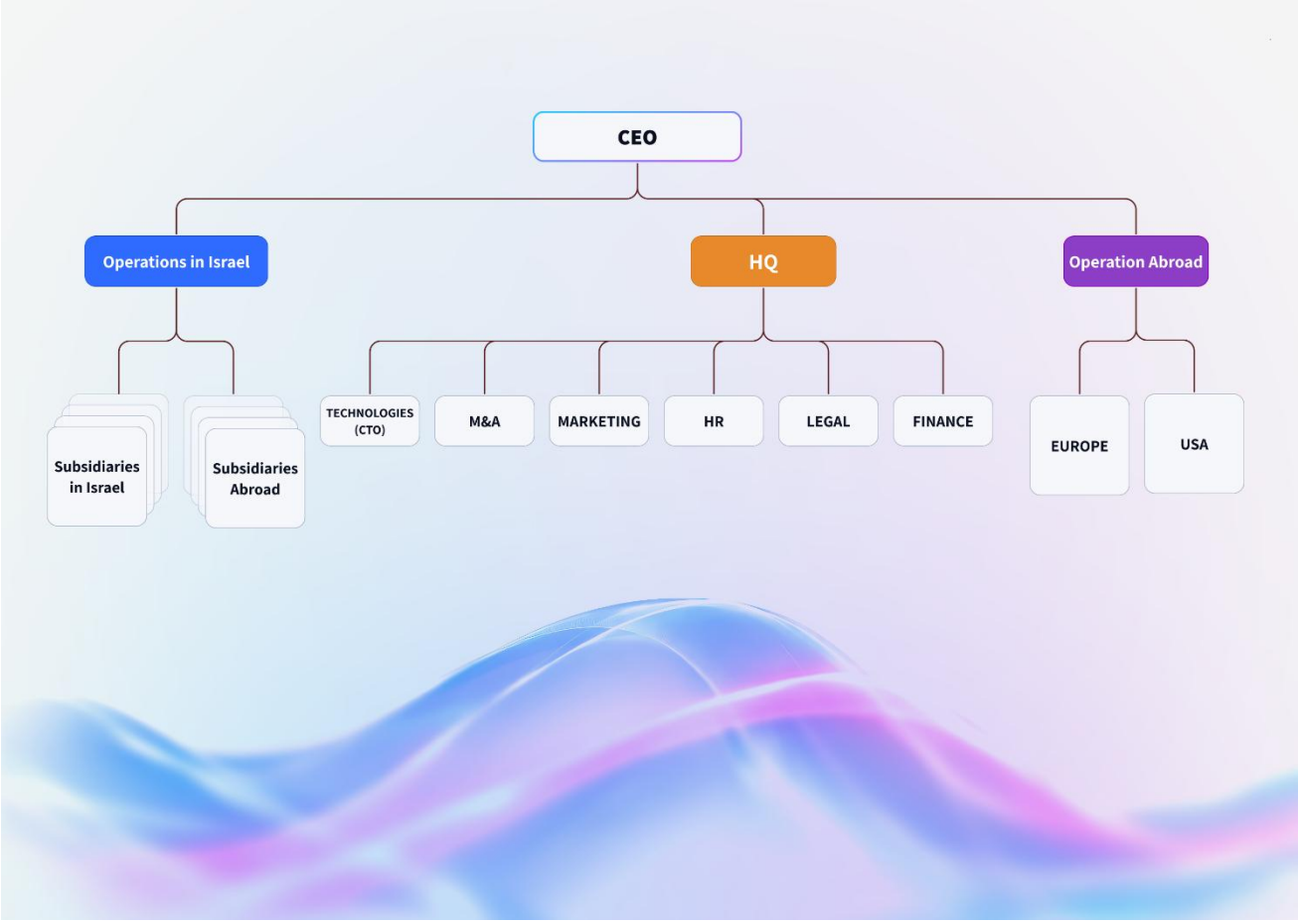
The Company addresses the challenges in recruiting and retaining technological manpower, among other ways, by developing the training sector, through its subsidiaries John Bryce and "John Bryce Talent" (see Section 7.5 above), through "refer-a-friend" campaigns for the Company's employees, and significant investment in employee recruitment and retention.

11.3 Employee recruitment, retention, and engagement

The Company invests considerable effort and resources in identifying and recruiting suitable candidates. The Company invests in training its recruitment teams, both in identification and guidance during onboarding as well as on an ongoing basis for performance improvement and addressing current challenges. In addition, investment in technological infrastructure was expanded, including improvement of information systems, expanded use of advanced sourcing tools, and AI processes and tools to improve and shorten recruitment processes.

The Company invests significant efforts in developing managers in the areas of creating employee engagement and retention, both through personal tools and by expanding the organizational toolkit for addressing engagement, such as expanding enrichment programs, training and well-being programs for employees, and financial solutions and benefits for relevant groups.

11.4 Below is a description of the Company's organizational structure:



11.5 Employment agreements

The Company's employees are employed under individual employment contracts. Employees engaged in sales are entitled to bonuses based on their contribution and sales. In addition, the Company pays some employees bonuses based on unique individual goals that encourage creativity and organizational excellence.

For obligations in respect of employer-employee relations, see Note 14 to the financial statements.

11.6 Compensation policy

On April 3, 2022, the Company adopted a compensation policy for the Company's office holders and adjusted the CEO cap accordingly (the "Compensation Policy"). The Compensation Policy was in effect for three years from the date of its approval, in accordance with applicable law. For further details regarding the Compensation Policy, see the immediate report published by the Company on April 3, 2022 (reference: 2022-01-042259).

For further details regarding compensation of office holders, see Regulation 21 in Part D of the report (Additional Information about the Company). The Company grants bonuses to its senior managers based on the principles set forth in the Compensation Policy. For details regarding share-based payments, see Note 18 to the financial statements.

In the Company's assessment, the Company's experienced management, and in particular the Company's CEO, makes a significant contribution to the Company's success, operations, and performance.

11.7 On December 28, 2022, the Company approved the renewal of the engagement with the Company's CEO, Mr. Moti Gutman, and the update of his terms of office and employment, including the equity compensation mechanism, for a period of 5 years, commencing January 1, 2023, through December 31, 2027. For further details, see the immediate reports published by the Company on November 10, 2022 (reference: 2022-01-135274) and on December 29, 2022 (reference: 2022-01-157564). See also Regulation 21 in Part D of the report (Additional Information about the Corporation).

11.8 As of the report date, the Company is not dependent on any specific employees.

11.9 Equal Pay for Female and Male Employees Law - The Company champions equal opportunity, a policy of gender equality, and works to advance women and equality in the employment conditions of its employees. In 2025, the Company published on its website a report as required by law for 2024. 52% of the Company's employees are women. The Company will continue to work toward the advancement of women, narrowing gaps, and promoting equality and diversity.

11.10 The Company implements a program to encourage the employment of employees with disabilities.

In this context, the Company appointed a supervisor for the employment of employees with disabilities who is also responsible for implementing the work plan.

11.11 Regulation

The Company has internal enforcement programs in the areas of securities law and economic competition law, as well as a compliance program and procedures in the area of privacy protection and database security. For further details, see Section 15 below.

The Company has an ethics code pursuant to which the Company conducts its business, while upholding the principles of law, morality, and business ethics, including equal opportunities and prevention of discrimination and harassment, prevention of conflicts of interest, prevention of bribery and corruption, implementation of corporate governance principles, and prohibition on exploitation of opportunities. In addition, the Company operates a comprehensive enforcement program for the prevention of bribery and corruption, under which it adopted policies and procedures designed to ensure compliance with applicable laws.

11.12 ESG

The Company does not have an independent and distinct ESG policy. However, as a company belonging to the ASSECO group, a European publicly traded company that has adopted a comprehensive ESG program in accordance with binding European standards, including European regulatory requirements in the area of sustainability and non-financial reporting, the Group's program provisions and principles apply to the Company to the extent relevant to its operations. In this context, material issues relevant to the Company's operations are regularly examined. As a company whose principal assets are its human resources, the social component carries a central weight, including employment diversity and equal opportunity, employee welfare, employee rights, recruitment and retention of manpower, and human rights.

The Company operates in accordance with the Group's principles in the areas of corporate governance, ethics, transparency, and risk management, and monitors regulatory developments and market trends in the area of sustainability and corporate responsibility, while adapting its operations to the applicable requirements.

11.13 The Company views its human resources as one of the most important factors for its success. The Company invests significant resources in employee development and training processes, for the purpose of retaining quality personnel and their capabilities. The scope of said internal training is not material. The Company holds ISO 9001 (project management) and ISO 9000.3 (software houses) certifications, which include specific procedures for recruitment, evaluation, and development of human resources. The Company has dedicated training and development tracks for new and existing employees.

12. Working Capital

12.1 Below is the composition of working capital as of December 31, 2024 and 2025, on a consolidated basis, NIS thousands:

	2025	2024	Change
Current assets	2,972,397	2,872,386	100,011
Current liabilities	(2,683,376)	(2,652,668)	(30,708)
Excess of current assets over current liabilities	289,021	219,718	69,303

For explanations regarding the principal changes in assets and liabilities, including in working capital, see Section 1.3 of the Board of Directors' Report.

12.2 Inventory holding policy

See Section 7.4.7 above and Note 7 to the financial statements.

12.3 Trade receivables and credit days

See Note 5 to the financial statements.

12.4 Average credit days (days)

	2025	2024
Customers (*)	77	85
Suppliers	67	66

(*) The calculation of customer days takes into account the neutralization of the effects of the VAT component and the accounting method of revenue recognition (on a gross or net basis).

13. Financing

13.1 The Company finances its current operations from cash flows from operating activities, from equity, from credit facilities obtained from financial institutions, and from bonds issued to the public.

13.2 Financing of operations is centralized for all operating segments. Company acquisitions were financed from internal sources and from medium- and long-term credit. For details regarding long-term credit, see Note 10(b) to the financial statements.

13.3 On September 14, 2022, the Company published a shelf offering report (Reference: 2022-01-117502) under which the Company issued for the first time to the public a total of NIS 295 million par value of bonds (Series B). On November 29, 2022, the Company expanded the bond series by NIS 180 million par value of bonds (Series B). For further details, see Appendix A to the Board of Directors' Report.

13.4 Subsequent to the report date, on February 5, 2026, the Company completed the issuance of convertible bonds (Series 2), convertible into the Company's shares in accordance with their terms. For details regarding the issuance terms, the amount raised, and the conversion terms, see the Company's immediate reports dated February 3, 2026 (reference: 2026-01-012146) and February 4, 2026 (reference: 2026-01-012594), as well as Note 25A to the financial statements.

13.5 For details regarding short-term credit and loans, see Note 10(a) to the financial statements.

13.6 Credit Rating

The Company has an issuer rating of Aa3 with a stable rating outlook, dated March 24, 2025.

The Company has a non-tradable commercial paper rating of None/NOO P-1.il dated March 24, 2025, a Stable Aa3 il rating for bonds (Series B) dated March 24, 2025, and an Aa3 Stable rating dated January 25, 2026 for bonds (Series 2).

13.7 Below are details about the Company's committed credit as of December 31, 2025 (NIS millions):

Facility provider	Facility	Utilization as of 31.12.25	Utilization near the date of approval of the Report (09.03.2026)
Credit facilities from financial institutions	1,405	170	217

Of the aforementioned credit facilities, NIS 300 million are committed and signed facilities and the remainder are unsigned and were granted for a period of one year.

There has been no change in the terms and facilities as of the report date.

Credit utilization includes utilization for guarantees (primarily performance guarantees) granted to customers in the amount of approximately NIS 156.3 million and guarantees for rental payments in the amount of approximately NIS 13.9 million. There is no utilization for on-call loans.

Interest rates are determined at the time of actual drawdown of the loans, through negotiations between the Company and the financial institution.

13.8 The Company issued non-tradable commercial securities (CP) in the amount of approximately NIS 300 million. The CP has been extended for a cumulative optional period of up to 5 years (until February 21, 2030). The CP includes a commitment to redeem at the investor's request with at least 7 business days' prior notice. The CP bears a variable interest rate at the Bank of Israel rate plus 0.15%.

For further details, see the Company's immediate reports dated December 13, 2021 (reference: 2021-01-108898), December 15, 2021 (reference: 2021-01-109981), and July 18, 2024 (reference: 2024-01-074415).

13.9 Financial Covenants

In the framework of the Company's financing arrangements with financial institutions and the holders of bonds (Series B) and convertible bonds (Series 2), the Company assumed certain undertakings and financial covenants. As of the financial statements date and the report publication date, the Company is in compliance with all such financial covenants.

For details regarding the financial covenants in connection with bonds (Series B) and convertible bonds (Series 2), see Appendix A to the Board of Directors' Report.

In addition, the Company undertook to maintain a balance of liquid assets and available credit facilities for the benefit of the commercial paper, in an amount of no less than NIS 300 million (of which at least NIS 200 million in cash or committed credit facilities).

14. Taxation

For details, see Note 15 to the financial statements.

15. Restrictions and Supervision of Matrix's Operations

15.1 Standards

Most of the Group's operations are performed in accordance with work procedures reviewed by the Standards Institution of Israel with respect to the requirements of the ISO-9001:2015 standard. The work procedures apply to professional and administrative areas of activity. The Standards Institution has been conducting quality audits at the Matrix Group on an ongoing basis for many years, and the Group has been found suitable to hold the ISO 9001:2015 standard, both due to its compliance with the standard's requirements (through relevant work procedures and/or work instructions), and due to its ability to deliver to the customer a product that meets the customer's requirements and applicable regulatory requirements, through effective implementation of the quality management system to the satisfaction of its customers, with the application of processes for continuous improvement in a customer-focused manner.

In addition, Matrix is certified by the Standards Institution of Israel under two information security management standards: ISO 27001 - an information security management standard, and ISO 27799 - an information security management standard for the healthcare industry.

ISO 27001 is a standard that defines the fundamental principles for establishing and maintaining an information security management system suitable for the organization. The standard indicates that the organization has taken the necessary measures to properly safeguard organizational information.

ISO 27799 is a standard based on stringent requirements in the sector of information security, focused on information security in healthcare organizations or their service providers. The standard establishes principles and guidelines for medical organizations and their suppliers regarding the security of medical information in the organization and its systems. Implementation of the standard indicates that the handling of medical information is performed at the high level required, while maintaining the confidentiality, integrity, and availability of medical information in systems and services provided to healthcare entities.

Compliance with these international standards elevates the level of information security in the Company, including in the areas of implementing secure development processes, secure management of organizational information systems and infrastructures, physical security, raising employee awareness, inclusion of information security in the Company's engagements and the services it provides, and as an added value, it enables the Company to compete in tenders in which these security standards are a prerequisite, including many government tenders.

15.2 Approved Supplier to the Ministry of Defense.

Some of the Group's companies are an approved supplier of the Ministry of Defense (DPD).

15.3 Privacy protection

The Company is subject to the relevant provisions of privacy protection laws, including the Protection of Privacy Law, 5741-1981, the Protection of Privacy Regulations (Data Security), 5777-2017, and with respect to certain subsidiaries of the Company, the GDPR - General Data Protection Regulation (hereinafter: "Privacy Protection Laws"). The Company operates on an ongoing basis to comply with the requirements of the Privacy Protection Laws, and it has implemented Amendment 13 to the Protection of Privacy Law. As part of the implementation of Amendment 13B, the Company carried out a remapping and reclassification of databases and data processing processes, and updated its security procedures and privacy policy in accordance with the new requirements. In addition, internal procedures, policy documents, and agreements with third parties are being adapted, including the strengthening of oversight and reporting mechanisms for privacy incidents. During the year, numerous actions were taken to preserve privacy protection in accordance with procedures and applicable laws, including the appointment of a Data Protection Officer (DPO), appointment of unit-level privacy trustees, updates to databases, deletion of excess data, review and update of security procedures, risk assessments, penetration tests, training sessions for database access holders, and periodic audits.

15.4 The Company is subject to various regulatory restrictions, primarily under corporate law, and by virtue of its status as a "reporting corporation." The Company has adopted an internal enforcement program that includes internal work procedures in the area of securities, the purpose of which is to instill norms of compliance with the Companies Law and securities laws by the Group and to reduce the exposure of the Group, its managers, and its employees to administrative enforcement proceedings. The enforcement program includes internal procedures addressing the Company's reporting obligations, identification and approval of related-party transactions including classification of negligible and non-extraordinary transactions, work procedures for the audit committee and the committee for the review of the financial statements, prohibition on the use of insider information, communication with the Israel Securities Authority and market participants, and the handling of complaints by Group employees regarding deficiencies and protection for whistleblowers.

15.5 The Company is subject to the restrictions of economic competition law, particularly with respect to mergers and acquisitions it carries out and with respect to restrictive arrangements (collaborations, tenders, and joint ventures). The Company strictly adheres to the provisions of competition law and has been implementing for years an internal enforcement program for antitrust and a competition law enforcement procedure (which are updated from time to time as required by need and by law), which include the appointment of a supervisor for the internal enforcement of the Economic Competition Law, the appointment of an internal enforcement committee, investment in implementation, training sessions and lectures in the area of competition law, including through e-learning modules and periodic audits.

15.6 The attention of governments and regulators worldwide, including the Bank of Israel, to the issue of the impact of climate risks and environmental risk on the economy, various industries, and the risk profile of companies, has increased significantly in recent years, driven by the understanding that the materialization of these risks can, in extreme cases, lead to global and systemic effects. ESG risk refers to the exposure of businesses or organizations to economic, legal, and regulatory harm as a result of environmental, social, and governance impacts. These risks may result from business activities that harm the environment, violations of employee rights, or issues in corporate governance, such as lack of transparency or unethical management.

15.7 Environmental and climate risks are an important component of the ESG framework and cover the impacts of climate change and pollution on the company and the community. For example, risks due to rising temperatures, flooding, extreme heat, and extreme weather conditions may affect business operations and cause direct economic damage. Additionally, there is regulatory risk, whereby the State of Israel may tighten environmental laws and regulations and impose fines on companies that harm the environment or fail to meet environmental requirements.

16. Legal Proceedings

See Note 16B to the financial statements.

17. Goals and Business Strategy

In general, the Company operates to expand its activities through a combination of organic growth and acquisitions of operations and companies, along three key axes:

- The first axis is continued growth in Israel in the Company's core business areas, based on both organic growth and domestic acquisitions.
- The second axis is the expansion of the Company's operations abroad, primarily in the US, which the Company views as a strategic target market. This too is based on organic growth of the Company's subsidiaries in the US, including through global projects, and on additional acquisitions. The Company also operates in this context to expand the "export" of the Company's capabilities from Israel to other markets worldwide, and particularly to the US.
- The third axis is expansion into adjacent areas of activity that have significant business potential for continued long-term growth. By its nature, this development axis is primarily based on acquisitions.

Following the completion of the merger transaction with Magic, the Company is working to realize synergies between the Group's services and projects operations and Magic's software products and platforms operations, as well as Magic's professional services operations. This integration of capabilities is expected to broaden the Group's portfolio of technology solutions for its clients in Israel and worldwide and to strengthen its global operations, particularly in the US market.

The Company operates to expand its activities through synergistic acquisitions as a core part of its long-term growth strategy. The Company's leading market position, financial strength and resources, as well as its reputation and experience in mergers and acquisitions, may continue to create opportunities for the Company to acquire additional companies - both those operating in the Company's core areas and complementing the solutions it offers, those operating in complementary areas adjacent to the Company's areas of activity that enable the Company to expand its areas of activity and available target markets, and those that expand the scope of the Company's operations abroad - all at economically viable prices relative to the potential inherent in each acquisition opportunity. In doing so, the Company is working to expand the range of services it offers and its client base, as well as the Company's profitability over time. The Company intends to continue to explore opportunities to expand its operations in its core areas and in areas adjacent to its traditional areas of activity, as well as to expand its operations abroad, through additional acquisitions.

The Company also operates to expand its activities into additional areas through internal initiation of new areas of activity and expansion of its existing core operations, by internally initiating new solutions and new types of services, based on the needs of the Company's clients and continuous monitoring of emerging technologies in the market.

In this context, the Company is working to expand its activities primarily in the areas of data and artificial intelligence (AI), including the development and implementation of data-driven solutions, machine learning and Generative AI, the integration of advanced automation capabilities in organizational processes, and the incorporation of AI capabilities in digital transformation projects, cloud and enterprise information systems.

In the Company's assessment, its positioning in the era of artificial intelligence is based on three complementary axes:

a. Organizational Bridge

The Company works to bridge the gap between the pace of technological development and organizations' ability to implement AI solutions at production scale, through integration services, core system modernization, architecture adaptation, and Change Management processes.

b. AI Enablers

The Company provides computing and cloud infrastructures, data platforms, integration infrastructures between legacy systems and cloud environments, as well as reskilling and up-skilling processes for professional teams.

c. Guardrails (Governance, Risk and Regulatory Compliance)

The Company provides AI governance services, data governance, information security and risk management, including compliance with regulatory requirements in regulated sectors.

In the Company's assessment, the combination of these three axes creates a competitive advantage based on high integrative complexity, sector-specific expertise, broad deployment across the technology value chain, and global delivery capabilities. These characteristics may deepen the Company's involvement in its clients' operations and support the maintenance of long-term relationships.

However, maintaining this competitive advantage is contingent upon continued ongoing investment in skills, technology, and adaptation of operating models to changes in the industry. The Company operates continuously to update its service portfolio, to develop AI capabilities, and to make the organizational and operational adjustments required in a changing technological environment.

The Company continuously and closely monitors innovative technological developments worldwide, which are occurring at an accelerating pace, through ongoing close contact with the world's leading technology analyst firms and major global software suppliers, and also learns about technological and applied trends from its major clients abroad, while focusing on the more significant technologies with greater economic potential, as a basis for continued business expansion.

The Company operates to expand knowledge and professional capabilities in these areas, including through the establishment of centers of excellence, expansion of collaborations with leading technology suppliers, and professional training and reskilling of employees in advanced technologies in the areas of artificial intelligence, data and cloud.

The Company continues to work toward acquiring appropriate knowledge in innovative technologies (which in certain cases is also manifested in the establishment of new specialization centers, in accordance with global technological developments), while simultaneously building business relationships with the world's leading suppliers in those innovative areas.

The Company is working to continue expanding the scope of its activity in the area of projects and project management, particularly large and complex integration projects, in which the Company can leverage the wide range of products and services it offers, all under one roof - a fact that, in the Company's assessment, provides it with a competitive advantage.

At the detailed level, the goals and business strategy in each of the Company's areas of activity are as follows:

17.1. In the IT Solutions and Services, Consulting, and Management in Israel Segment:

The Company works to maintain its leading position in Israel in the IT services sector while expanding its service portfolio in the areas of AI, digital transformation, cloud, data, and cybersecurity. In addition, the Company intends to integrate the IT services operations of Magic and its subsidiaries and to expand the Group's operations with customers in the US. The Company continues to develop services in the areas of management consulting, engineering consulting, multidisciplinary project management, and complex infrastructure projects.

17.2. In the IT Solutions and Services in the US Segment:

The Company views the US as a strategic target market and operates to expand its activities through organic growth and acquisition opportunities. This activity focuses on the Group's core areas, particularly GRC services and financial risk management, alongside the expansion of services in the areas of information security, data and AI.

Following the completion of the merger with Magic, a significant portion of whose IT services operations are conducted in the US market, the Company is working to integrate the services operations of the two groups, including system development services, integration, outsourcing and professional services, and to expand the Group's operations with large enterprise clients in the US.

17.3. In the Marketing and Support of Software Products Segment:

The Company works to expand sales of software products and advanced solutions in the areas of cloud, AI, cybersecurity, automation, and Low Code, alongside expanding support services and related professional services. In parallel, the Company works to deepen its activity within the "Nimbus" project and to strengthen its operations with the public sector and the defense establishment. The Company continues to develop subscription-based models and managed services, and to expand its activity as a reseller in public cloud marketplaces.

17.4. In the Cloud and Computing Infrastructures Segment:

The Company operates to maintain its position as a leader in cloud services in Israel and to expand its operations to international markets as well, through the CloudZone and Innercloud units. The strategy includes expanding cloud solutions and managed services, with emphasis on as-a-service models and long-term contracts. In addition, the Company is working to integrate automation technologies, AI and machine learning (ML) in cloud infrastructure management and in its professional services.

The Company's assessments regarding its growth strategy, its positioning, its competitive advantages and regarding expected developments in the realization of its business strategy and goals as noted above, constitute forward-looking information as defined in the Securities Law, based on the Company's assessments, forecasts and subjective estimates, analysis of the markets in which the Company operates, its work plans, budget, strategy, and information in its possession as of the date of publication of this report. The information presented above may materialize in practice, in whole or in part, or may materialize in a manner materially different from what was anticipated, due to the occurrence of factors, some of which are beyond the Company's control, including changes in market trends and conditions, changes in the competitive environment, developments and changes in regulation in the areas of activity, changes in the macroeconomic environment and/or the materialization of one or more of the risk factors detailed in Section 19 of this report, as well as a result of changes in the Company's work plans or business strategy.

18. Financial Information by Geographic Areas

See Note 24b to the financial statements and Section 1.2.4 of the Board of Directors' Report (geographic information).

19. Discussion of Risk Factors

The Company's operations are characterized by the following risk factors:

Macro risk factors

19.1. Security situation

An escalation of the security and political situation could lead to harm to the business stability of some of the Company's clients and consequently to harm to the Company's business results, its cash flows and to an increase in its bad debts. In addition, to the extent that the security situation in Israel deteriorates, which in extreme cases could lead to the shutdown of economic activity, this would directly harm the Company's revenues and business results. For details regarding the impact of the continuation of the Swords of Iron War on the Company's operations, see Section 1.1.2 of the Board of Directors' Report.

19.2. Economic and Political Situation in Israel

The majority of the Company's operations are in Israel, and the majority of the Company's revenues are derived from its operations in Israel. An economic slowdown and uncertainty in the economy, political uncertainty, due to an economic recession or any other factor that would harm economic activity in Israel, including due to increases in inflation and interest rates, could lead to a reduction in demand and cutbacks in the scope of activities and IT procurement budgets and reduced spending by some of the Company's clients, including the halting of projects, staff reductions, hiring of the Company's employees by its clients, rate reductions, reduced demand for software and hardware products and other cutbacks, which could harm the Company's business results. In addition, an escalation of the geopolitical situation and deterioration of Israel's standing in the world, to the extent it occurs, could cause the Company's partners (such as equipment or software suppliers) to refrain from conducting business with Israel and thereby from doing business with the Company. Additionally, a recession or economic downturn could affect the ability of some of the Company's clients to pay their debts to the Company and could lead to clients experiencing financial difficulties, thereby increasing the Company's bad debts and harming its cash flows.

19.3. The State Budget and Government Tenders

As of the date of publication of this report, the state budget for 2026 has not yet been approved. To the extent that the state budget is not approved by the applicable date and elections are consequently moved up, the budget will be managed for a significant period on a continuity basis ("1/12 budget"). As a result, IT budgets of government ministries, which are significant clients of the Company, could be significantly reduced, thereby harming the Company's business results.

In addition, a significant portion of the Company's activity is conducted based on government tenders. The reallocation and/or cutting of budgets, including against the backdrop of increased defense spending and/or political instability and/or cuts in a future state budget, could lead to reductions in state IT budgets as well as in other areas of the Company's activity vis-a-vis the government. A resulting reduction in the scope of government tenders and/or the non-renewal of the Company's engagements in several government tenders and/or the Company's failure to win several material tenders, could harm the Company's revenues or create a need to submit bids at lower profit margins, and consequently harm the Company's business results.

19.4. Rise in Interest Rates

To the extent that interest rates in the economy continue to remain high for a prolonged period, this could adversely affect the Company's operating results through an increase in its financing costs. Additionally, to the extent these lead to a recession and economic slowdown in Israel, they could lead to reduced demand and even to harm to some of the Company's clients and consequently to harm to the Company's operating results.

For details regarding financial risks, see Note 20 to the financial statements.

19.5. Political and Economic Situation in the US

The IT market in the US is directly affected by economic and political developments in the US economy. Any economic uncertainty and/or damage to the US economy (for example, around the expected impact of tariff increases and/or trade wars and/or increased military spending on US interest rates) could affect demand in the US IT market and could consequently harm the Company's business results in the US. Additionally, a negative economic trend in the US could lead to harm to the performance of the Company's clients in the US. As a result, the Company's business in the US could be harmed, as well as leading to an increase in its bad debts from US clients and to harm to the Company's cash flows. Furthermore, to the extent that the US government eases or even eliminates some of the financial regulations, this could reduce demand for traditional GRC systems, particularly in the areas of anti-money laundering and fraud prevention, and lead to a possible decrease in demand for the Company's GRC services in the US. See Section 6.5(d) above in this regard.

19.6. Change in the USD Exchange Rate

Changes in the dollar exchange rate and volatility in its exchange rate, within the year and between years, affect the Company's business results, with emphasis on profit in the IT Solutions and Services in the US segment, and on part of the activity in the Marketing and Support of Software Products segment (sale of software products, the prices of most of which are denominated in dollars) and the Cloud and Computing Infrastructures segment, and also affect adjustments from the translation of the financial statements of the Company's subsidiaries in the US (translation differences). In general, an increase in the dollar exchange rate has a positive impact on the Company's results and vice versa in the case of a decrease in the dollar exchange rate. The Company engages from time to time in hedging against foreign currency exposures.

See also Note 2i to the financial statements in this regard.

Industry risk factors

19.7. Human Capital

Changes in the structure of demand for manpower in the technology sector [see Section 6.3 above], including against the backdrop of the development of the sector of artificial intelligence (AI) and the automation of information systems development and operations processes, and particularly in new technologies that constitute a growth driver for the Company, may affect the mix of skills required at the Company and its ability to recruit, train and retain employees with expertise in advanced areas such as AI, cloud and cyber. The rising cost of living could lead to pressure on salary demands. Accordingly, the Company may be required to incur higher salary costs and higher investment in various tools and unique solutions, both for recruiting new employees and retaining existing employees. All of these could lead to erosion in the Company's profitability and to harm to its ability to provide its services to its clients and to its growth rate and business.

In addition, the employment field is characterized by extensive regulation and frequent regulatory changes (including changes in law, extension orders, court rulings, etc.). The implementation of additional regulatory changes, to the extent there are any, that apply to the Company, could expose the Company to significant additional costs, and even lead to harm to the Company's engagements with its clients and to exposure to claims and lawsuits by the Company's employees, which could harm the Company's profits and adversely affect its business results.

19.8. Mergers and Acquisitions

An important part of the Company's business strategy is expansion through mergers and acquisitions (see Section 17 above). The Company may compete, from time to time, for acquisition and investment opportunities against established companies whose financial resources exceed its own. This risk is intensified in light of the trend of increasing investments by Private Equity funds and Big-4 firms (which benefit from large-scale financial resources) in IT companies. Additionally, the global trend of rising interest rates increases the effective cost of acquisitions, given the increase in the financing costs involved. Furthermore, there is no certainty that the Company will be able to identify potential acquisition or investment opportunities, in Israel or abroad, that are suitable for its purposes and at prices it deems appropriate.

In addition, merger processes of acquired companies are complex and may fail. In particular, the completion of mergers of significant scale may involve operational and organizational challenges, including the integration of business activities, information systems, human resources, organizational culture, work processes and sales and marketing systems, as well as the realization of the business and operational synergies expected from the merger. In all of the aforementioned cases, the Company's ability to expand and grow could be harmed, and it could also incur losses from unsuccessful acquisitions.

Following the completion of the merger transaction with Magic, whose operations are integrated with the Group's operations in Israel and abroad, the integration process between the Group's operations may involve additional challenges, including the adjustment of organizational structures, integration of employees and management of interfaces between different business units in the Group, as well as the adaptation of information systems and operational processes. To the extent the integration process is not carried out successfully or on time, and/or to the extent these require resources and costs higher than planned, they could adversely affect the Company's business results.

19.9. Competition

The intense competition in most of the Company's operating segments (see details in Section 7 above), as well as the low barriers to entry in some of the Company's operating segments, may lead to a reduction in the volume of the Company's engagements and/or price reductions, which may result in erosion of the Company's profits. In addition, beyond traditional competitors, international technology companies and cloud service providers may offer competing solutions directly, reducing demand for some of the Company's integration and intermediation services.

Company-specific risk factors

19.10. Cybersecurity

The Company's operations are based on information systems and various types of digital information, including of the Company's employees, suppliers and clients (and their clients). In recent years, there has been a significant increase in the frequency and severity of cyber incidents, particularly against Israeli entities and companies. This trend is expected to continue in the future and may even intensify, despite all defense mechanisms deployed against it. Cyber incidents could lead to unauthorized access, unauthorized disclosure, misuse, disruption, deletion or alteration of the Company's and its clients' information, ransomware attacks, as well as disruption of ongoing operations, damage to computing services, significant slowdowns and even the shutdown of the Company's information systems and development projects.

In the event of harm to the Company (or to the Company's clients or suppliers) as a result of such cyber attacks, the Company could suffer negative consequences, including disruption of the Company's operations and/or those of clients to whom the Company provides services, disruption or shutdown of the Company's information systems, harm to development projects being carried out by the Company, theft of the Company's and/or its clients' information, data leaks, damage to client trust in the Company and consequently damage to its reputation, and even exposure to legal claims and regulatory proceedings as well as payment of compensation and/or fines. All of these could lead to various direct and indirect damages to the Company and harm the Company's business results.

In addition, the materialization of a significant cyber threat against the main systems used by the Company in the day-to-day management of its business or in providing its services to its clients, as well as against third-party information stored therein, could also lead to harm to the Company's existing and/or future engagements and cause it significant financial damages.

In order to protect its information technology systems and minimize information security risks, given the increase in the level of risk and intrusion attempts, the Company invests extensive and continuous efforts, as well as significant resources (organizational, financial, professional and computing), for the purpose of ongoing empowerment and continuous improvement of the Company's defenses against these risks, including equipping itself with appropriate technological systems, strong authentication and strict remote access controls, operating and upgrading incident management systems and business continuity plans, conducting cyber preparedness drills, expanding and operating an internal information security unit, operating a 24/7 SOC center, compliance with strict information security standards, engagement with experts in the field, ongoing updating and review of the Company's policies and procedures, employee training and awareness raising, and purchasing dedicated cyber risk insurance (Cyber Liability Insurance) that includes indemnification for third-party claims arising from cyber incidents, ransomware and extortion events, loss of profits resulting from cyber

incidents, coverage for computing system hardware following a cyber event, incident expenses such as information security teams, legal expenses, multimedia liability, third-party and privacy regulation. In addition, the Company implements advanced threat detection and identification mechanisms, including continuous monitoring and adaptation of controls to evolving threats, including AI-based threats such as fraud and sophisticated phishing.

In addition, the Company operates to comply with all regulatory rules applicable to it with respect to cybersecurity. Among other things, it regularly conducts internal and external cybersecurity audits, including penetration testing, periodic risk surveys, and database controls, and conducts exercises and training to raise employee awareness of cybersecurity and privacy. The Company also works to examine and address new and emerging threats on an ongoing basis.

The Company's Board of Directors receives periodic reviews regarding the Company's preparedness for dealing with cyber threats and regarding the actions being taken at the Company to address these threats. The Company has a management function responsible for information security and protection against cyber threats, as well as a CISO and DPO, under whom operates an information security department composed of professional personnel in information security sectors, who are engaged on an ongoing basis in protection against cyber threats. In addition to utilizing the Company's existing personnel in this sector, the Company has engaged experts in areas complementary to the Company's existing areas of expertise.

The occurrence of cybersecurity events at the Company may also lead to cybersecurity events in the information systems of its customers. The Company invests considerable efforts and significant resources in protecting the Company's systems related to its customers, including compliance with customers' cybersecurity requirements and additional measures as described above. Conversely, the increase in the scope and complexity of cyber threats also increases demand for the Company's cybersecurity services, creating a business opportunity alongside the risk.

Despite all of the above, the Company cannot guarantee that the protective measures it takes will completely prevent information security incidents or damages that may result from them, as detailed above. This is particularly so given the inability to identify all cyber attacks at the time they occur or after time has passed and/or the occurrence of cyber incidents resulting from non-technological failures such as human errors or malicious acts. Additionally, in certain cases, the occurrence of information security incidents at the Company's clients or suppliers could also lead to information security incidents in the Company's information systems. All of these could harm the Company's business results and its reputation.

19.11. Operations Abroad

With regard to the Company's operations in various countries around the world (primarily in the US), the possibilities for supervision and control over the operations of subsidiaries abroad are more limited than the possibilities for organic operations in Israel. Limited control could lead to late identification of problem areas, to the extent there are any, in the Company's operations at remote sites, and prevent the Company from responding at the required speed. In addition, the Company is exposed to risks arising from operations in foreign countries (including political and diplomatic risks) and to risks arising from economic slowdowns in those countries, which would lead to reduced demand for the Company's services and harm to its business results. See also Section 19.5 above in this regard. It should be noted that this risk factor may intensify to some degree, given the expansion of the scope of the Group's operations abroad following the completion of the merger transaction with Magic.

19.12. Technological developments and changes in the IT field

The Company's success depends on its ability to maintain the technological currency of the solutions it offers to its customers, and to develop or enter into agreements with foreign suppliers for new software systems and solutions that keep pace with technological developments, which are increasingly accelerating, with the pace of changes in the IT field, and with the frequent changes in customer needs. There is no certainty that the Company will succeed in maintaining its technological edge in all areas of its operations.

Delays or failures in developing, adopting or adapting suitable solutions to technological changes and changes in market requirements could harm the Company's business results.

The acceleration in the development of artificial intelligence technologies, data, automation and advanced computing infrastructures may affect the mix of services and products in demand, shorten the life cycles of existing solutions and require the Company to make ongoing investments in employee training, capability adaptation, portfolio expansion and updating of operating models. All of these may require the Company to incur additional costs that could harm its business results.

19.13. Technological developments in artificial intelligence (AI)

The Company operates in a dynamic technological environment characterized by rapid changes, particularly in the field of artificial intelligence (AI), which has demonstrated dramatic development in the past year. Although the implementation of AI technologies offers opportunities to improve the services and products offered by the Company to its clients, thereby increasing demand for them, at the same time it also presents significant risks to the Company.

There is a risk that the Company will not succeed in keeping pace with technological developments, which could harm its competitive ability and lead to loss of clients and revenues. Additionally, the increase in clients' use of AI tools could reduce demand for the traditional services they purchase from the Company, particularly professional manpower services for software development and testing.

In addressing these trends, the Company is working to expand its operations primarily in the areas of data and artificial intelligence, including the development and implementation of data-driven solutions, machine learning and Generative AI, the integration of advanced automation capabilities in organizational processes, and the incorporation of AI capabilities in digital transformation projects, cloud and enterprise information systems.

In the Company's assessment, its positioning in the era of artificial intelligence is based on several complementary axes: (a) assisting organizations in bridging the gap between the pace of technological development and their ability to implement AI solutions at an enterprise scale, including through integration services, core system modernization and architecture and change process adaptation; (b) providing AI-supporting infrastructures and processes, including Cloud and Computing Infrastructures, data platforms, integration between legacy systems and cloud environments, and professional training processes; and (c) providing services in the areas of data governance, risk management and regulatory compliance, including information security and regulatory aspects in regulated sectors.

However, maintaining this competitive advantage is contingent upon continued ongoing investment in skills, technology and adaptation of operating models to changes in the industry.

In addition, the use of AI solutions raises regulatory and ethical challenges, such as requirements for transparency, privacy and information security. Changes in regulation may require the Company to incur additional expenses in order to adapt to new requirements, and may even restrict the use of these technologies.

Uncontrolled reliance on AI systems in the Company's business and operational decision-making could expose the Company to risks arising from errors in algorithmic models, data biases or security breaches. All of these could lead to financial damages, harm to reputation and even legal claims against the Company. In addition, systemic errors that could occur during the operation or implementation of AI systems could lead to erroneous or inaccurate findings, damage to system reliability, information security breaches and the handling of cyber threats, and lead to operational, financial or legal damages for the Company's clients and third parties relying on the Company's outputs.

The Company invests resources in developing capabilities in the field of artificial intelligence and in building processes for managing technological and regulatory risks related to the use of these technologies. However, there is no certainty that these measures will prevent the materialization of the risks detailed above. Accordingly, the Company's exposure to risks related to rapid technological developments and the use of AI could adversely affect its operating results, financial condition, reputation and competitive position in the market.

19.14. Migration to Cloud Solutions

The continued and growing trend of the Company's customers transitioning to cloud solutions does present a business opportunity for expanding the Company's services on the one hand, but also carries risks of reducing demand for other services provided by the Company on the other hand. For example: in the Marketing and Support of Software Products segment, new opportunities open for the Company to market software products and new cloud-based solutions; however, in parallel, the trend may lead to a decline in revenues from the sale of traditional software licenses.

19.15. Centrality of the banking, finance and insurance and hi-tech customer sector

The Company does not have material dependence on any single client; however, the Company views the banking, finance and insurance client sector and the Hi-Tech sector as material sectors in its operations (in the banking/finance sector both in Israel and in the US; see Section 2 above in this regard). If the Company's engagements with some of its major clients in these sectors are simultaneously terminated, or if the scope of its activity with some of its clients in these sectors is significantly reduced, or if there is a slowdown in the pace of new client acquisition in these sectors by the Company, or if the terms of engagement with these clients deteriorate materially, or if there is a significant deterioration in any of these sectors leading to reduced IT demand, the Company's operating results could be harmed as a result.

19.16. Fixed price contractual engagements with customers

A growing portion of the Company's revenues is derived from engagements under fixed price contracts. The pricing for these engagements is based on the estimation of future costs. In cases where the Company does not accurately estimate the resources required to execute fixed price projects, and/or does not correctly estimate employee salary costs during those projects (including expected salary increases during the project; see also Section 19.6 above in this regard) and/or its ability to fulfill its obligations within the timeframes set for that purpose, this could harm the Company's business results. This risk will increase in direct proportion to the increase in the scope of fixed price projects being carried out by the Company, given the Company's trend toward expanding its project activity. A similar risk, albeit of a smaller scale, also exists due to the expansion of managed services activity at the Company.

19.17. Engagements with customers for the provision of professional services

In recent years, there has been a growing trend among clients to replace professional services (PS) in the IT field, based on time and materials (T&M) pricing, with managed services engagements based on defined and bounded deliverable specifications (SOW). In addition, the accelerated adoption of AI technologies could lead to reduced demand for professional services in the areas of software development and testing, as detailed in Section 19.13 above.

To the extent the Company fails to adapt itself to this trend in the professional services market, while reducing the harm to professional services engagements on the one hand and increasing engagements with its clients on a managed services basis on the other hand, the Company's business results could be harmed.

19.18. Dependence on suppliers and software manufacturers

The Company does not have material dependence on any single supplier. However, if the Company's engagements with several of its major supplier are simultaneously terminated and/or if the terms of engagement with those supplier are materially worsened, and/or if those suppliers or software manufacturers expand their direct activity in the local market, including by directly providing services that compete with services the Company provides to its clients in connection with their products, and/or appoint additional distributors, and/or if the standing of those suppliers is harmed, and/or if they are acquired by a competitor, and/or if their activity is terminated for any reason, the Company's operating results could be harmed as a result.

In addition, some of the Company's activity is based on software products of leading software manufacturers and on the Company's business relationships with those software manufacturers. The termination of the Company's engagement with those software manufacturers and/or a significant deterioration in the Company's terms of engagement with them could lead to direct harm to the scope of the Company's professional services that are based on those companies' software products, and to harm to the Company's business results. In addition, rapid technological developments, particularly in the field of artificial intelligence and the computing infrastructures that support it (including cloud platforms, data platforms and computational accelerators), could increase the Company's dependence on these suppliers, affect the terms of engagement with them and the scope of demand for their products.

19.19. Supply chain delays and chip shortages

In recent years, the Israeli economy has experienced disruption events in global supply chains, which, after a certain period of calm in this regard, intensified following Houthi threats and ship attacks in the Red Sea, and led to delays in delivery dates, alongside a sharp increase in freight prices, particularly maritime freight. As a result, a shortage of electronic chips also emerged.

Such events primarily affect the Cloud and Computing Infrastructures segment at the Company and could lead to delays in the delivery of equipment ordered by clients of this segment at the Company, as well as to an increase in equipment prices. This refers to both the computer and server equipment sold by the Company, the printers and printing services that form the basis of the subsidiary Gestetnertec's operations, the audio equipment sold by the subsidiary Tech-Top, the multimedia components that form the basis of the subsidiary AVB's operations and the control, automation and IT equipment marketed by RDT and Asio, as well as the equipment imported by Ortec.

To the extent these trends of delivery delays and rising maritime freight prices recur, they could lead to difficulties in the Company's ability to meet its clients' demands and/or to delivery delays and/or to an increase in the Company's procurement costs and consequently to harm to the business results of the Cloud and Computing Infrastructures segment at the Company.

19.20. Entry into new areas of activity

As noted above (see Section 19.12 above), the Company's business growth strategy is based, among other things, also on entry into new technological areas and new areas of activity, as well as on expansion into adjacent areas of activity that have significant business potential for continued long-term growth. By their nature, these involve entry (in some cases on the basis of acquisitions) into areas of activity in which the Company does not have accumulated multi-year experience, and as a result, the Company could incur losses due to difficulties in entering such new areas, which would lead to harm to the Company's business results.

19.21. Legal and insurance risks

Due to the complex nature of some of the Company's engagements, particularly with regard to projects for the establishment of systems and software solutions and management of complex infrastructure projects, there is legal exposure to legal proceedings against the Company by the Company's clients and/or suppliers. The Company operates to reduce these risks both through the terms of engagement and limitation of its liability in agreements with its clients, through the purchase of general and professional liability insurance, and through meticulous management of the projects it carries out and the services it provides, in accordance with and in full compliance with the contractual terms at the basis of the legal engagement of each of those projects.

If legal claims are filed against the Company and it loses in the legal proceedings brought against it as a result, for an amount exceeding its insurance coverage amount, or in the event that changes are made to its insurance policies, the Company's business results could be harmed. In addition, the mere involvement in such legal claims could entail significant legal expenses for the Company, which would harm its business results.

In addition, the software manufacturers with which the Company has engaged have limited their liability in their engagement agreements for damages that may be caused to the end user of these products. In the event that the Company is found liable for damages resulting from products marketed by it or from projects and services performed by it, this could harm the Company's business results.

In addition, the costs of professional insurance have been on a sharp upward trend for several years. Since the Company is committed to maintaining adequate insurance coverage for its operations, its expenses for these insurance policies are expected to increase and harm the Company's business results.

Summary of risk factors / Type of risk	Nature of risk	Risk severity
Macro risk factors	Security situation	High
	Economic and political situation in Israel	High
	State budget and government tenders	Medium
	Rise in interest rates	Medium
	Political and economic situation in the US	Medium
	Change in the USD exchange rate	Medium
Industry risk factors	Human capital	Medium
	Mergers and acquisitions	Medium
	Competition	Medium
	Cybersecurity	High
Company-specific risk factors	Operations abroad	Medium
	Technological developments and changes in the IT field	Low
	Technological developments in artificial intelligence (AI)	Medium
	Transition to cloud solutions	Low
	Concentration of customer sectors	Low
	Fixed price contractual engagements with customers	Medium
	Engagements with customers for professional services	Low
	Dependence on suppliers and software suppliers	Medium
	Supply chain delays and chip shortages	Low
	Entry into new areas of activity	Low
	Legal and insurance risks	Low

20. Events after the Reporting Date - Magic

20.1 Background

Further to the reverse triangular merger agreement dated November 3, 2025, which the Company entered into with Magic, on February 24, 2026, the merger certificate was received from the Companies Registrar in connection with the transaction, which constituted the last of the conditions precedent for the completion of the merger transaction, and the merger transaction was completed. On that date, Magic became a private company wholly owned by the Company and its shares were delisted from trading on the Tel Aviv Stock Exchange and on Nasdaq.

Magic is a global provider of IT Solutions and Services, operating in two main areas of activity: (a) professional IT services, including system development, integration projects, outsourcing, cloud and cyber services; and (b) software solutions, including Low Code platforms for developing business applications and integration between systems, as well as dedicated software solutions for selected sectors (verticals). As of the date of the Magic Description, the Magic group has a global presence in over 50 countries, with a central presence in Israel, the US, Europe and Japan, and an extensive network of business partners.

The following is a summary of the key updates to the description of the operations of Magic and its subsidiaries and investee companies (the “Magic group") as reflected in the Magic Description published on November 3, 2025 (reference: 2025-01-083233).

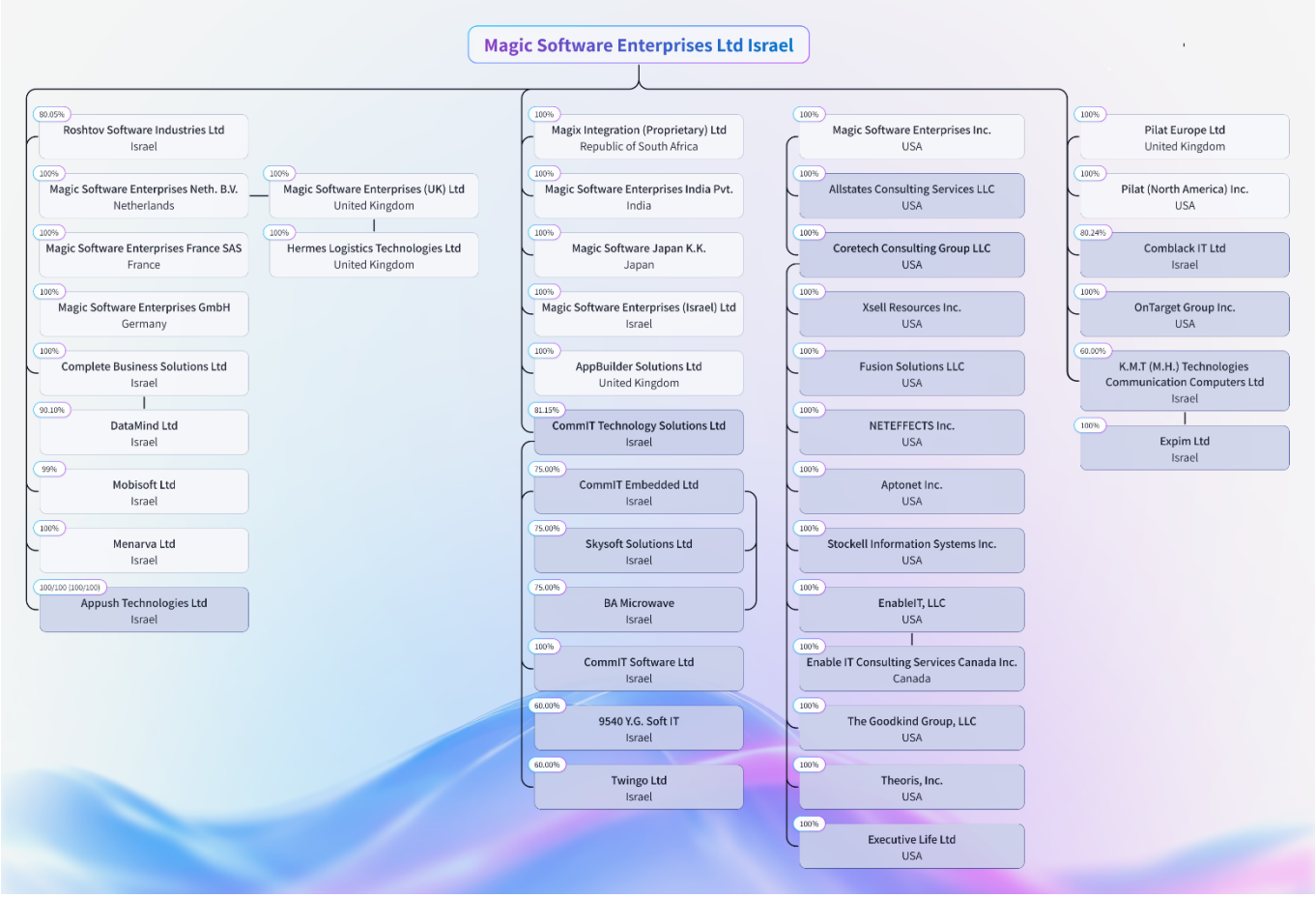
For a full and detailed description of the Magic group's operations, including its areas of activity, financial results, risk factors and material agreements, see the Magic Description, the financial statements of Magic attached to the aforementioned meeting convening report, the contents of which are included herein by way of reference (the “Magic Description").

For pro-form financial information (unaudited) regarding the combined results of the two companies, see Section 2 of the Board of Directors' Report.

20.2 Magic Holdings Chart

As of the report date, the Magic group comprises approximately 80 active entities, subsidiaries and investee companies, the majority of which are wholly owned by Magic (directly and indirectly), in the United States, Israel, Europe, Asia and South Africa.

The following is the chart of Magic's holdings in its material subsidiaries[11] as of the report date:



20.3 Delisting

Upon the completion of the merger transaction, Magic's shares were delisted from trading on Nasdaq and on the Tel Aviv Stock Exchange, and Magic ceased to be a public company. For further details, see the immediate report dated February 24, 2026, reference number: 2026-01-017175.

12

[11] The Company's materiality threshold for the purpose of material subsidiaries and/or material investees in the above table is based on a combination of quantitative and/or qualitative criteria.

20.4 Material Acquisition and Sale Transactions

Acquisition of Savanna Solutions Ltd.: On December 1, 2025 (after the publication date of the Magic Description), a subsidiary of Magic, Com IT Software Ltd., together with a subsidiary of Com IT Software Ltd. (9540 Y.G. Soft IT Ltd.), completed the acquisition of 75% of the share capital of Savanna Solutions Ltd. ("Savanna"), for a total consideration of approximately NIS 3.75 million, plus additional contingent consideration derived from the company's performance over the next 2 years, not to exceed NIS 2.25 million. Savanna is engaged, specializes and operates in the field of providing expert services from Africa for software development.

20.5 Updates Regarding the General Environment and Impact of External Factors on the Group's Operations

The changes in the general and business environment and the impact of external factors on the Magic group's operations are essentially similar to those affecting the Company's operations, as described in Section 6 above.

20.6 Backlog

Further to Sections 7.12 and 8.14 of the Magic Description, the backlog comprises contractual engagements with clients in Israel and abroad, including multi-year contracts.

Expected revenue recognition period	Backlog as of December 31, 2025 (NIS thousands)
First quarter	426,655
Second quarter	388,620
Third quarter	356,676
Fourth quarter	333,722
Backlog for the current year	**1,505,672**
From end of year onward	122,837
Total backlog	**1,628,508**

It should be clarified that the breakdown of the backlog as described was performed to the best of Magic's management's assessment, based on the data and information in its possession as of this date, as well as on assessments and estimates made by it, including with respect to orders not yet received and presented separately for convenience and the right of Magic's clients to cancellation as detailed above, and constitutes forward-looking information as defined in the Securities Law. This information may not materialize, among other things, in the event of delays in work commencement dates or in the schedules set for the execution of transactions and provision of services, including as dependent on the pace of order realization (which is generally not defined on a quarterly or calendar year basis, and accordingly, the backlog presentation is on an annual basis), in accordance with the total project period, including with respect to the warranty period attributed to the project for which immaterial amounts are attributed. These factors are not dependent on Magic and/or the Company and have an impact on the maturation of conditions for revenue recognition. Additionally, as stated, the backlog may change in practice in accordance with the cancellation right existing within the terms of engagement with clients, as well as in accordance with the actual scope of activity.

20.7 Clients and Business Sectors

Magic's operations are conducted with clients from a variety of sectors, including: banking and finance, insurance, government and public, industry, telecom and Hi-Tech.

The following is a table of the percentage breakdown of Magic's revenues from its clients, by sectoral classification:

Sector	2025
Hi-Tech	24.7%
Healthcare	21.7%
Banking, Finance, and Insurance	18.9%
Defense	11.1%
Industry, Retail, and Commerce	10.3%
Government	4.1%
Transportation	2.9%
Telecommunications	2.9%
Other	3.4%

20.8 Information Regarding Dependence on Material Clients

The company is highly dependent on recurring revenues from software sales and the provision of services to its existing clients.

Further to Section 9.2 of the description, Magic's two largest clients together accounted for approximately 13.2% and approximately 13.3% of its revenues in the years ended December 31, 2024 and December 31, 2025, respectively. Magic's five largest clients together accounted for approximately 23% and approximately 21% of its revenues in the years ended December 31, 2024 and December 31, 2025, respectively.

20.9 Human Capital

Further to Section 16 of the Description, as of December 31, 2025, Magic employed 4,070 employees.

Magic's workforce includes professional employees in the areas of software development, implementation, support and service, in Israel and in several international locations, as detailed in the description.

The following is a breakdown of the number of employees at the company and its subsidiaries as of December 31, 2025, classified according to the company's organizational structure:

	31.12.25
Management and administration	187
IT Solutions and Services, Consulting, and Management in Israel	1,519
IT Solutions and Services, Consulting, and Management – Rest of World	1,956
Marketing and Sales	231
Development	177
	4,070

21. Glossary

For convenience, in this report the following terms shall have the meanings set forth alongside them, unless a different intention is implied from their context:

Term	Definition
"Matrix" or the "Company"	Matrix IT Ltd.
The “Group" or the “Matrix Group"	The Company and its subsidiaries
"Agile"	An iterative approach to project management and software development that helps teams deliver value to their customers, with the goal of enabling rapid responsiveness and flexibility to changes. The Agile approach is based on continuous and ongoing dialogue between team members and with the customer in order to address changes in requirements as early as possible and to enable early detection of software issues, allowing them to be addressed at the earliest stages.
"AI" - Artificial Intelligence	A branch of computer science dealing with the ability to program computers to operate in a manner that exhibits capabilities that until now were characteristic solely of human intelligence.
"ALM" - Application Lifecycle Management	Tools and methodologies that enable managing the software development process in a systematic, consistent, measurable, and controlled manner throughout the entire software development lifecycle.
"BCP" - Business Continuity Planning	A management doctrine relating to the activities an organization is required to perform in order to ensure that critical business functions remain available to customers, suppliers, regulators, and other stakeholders, for the purpose of preparing and organizing to achieve rapid recovery after a disaster.
"Big Data"	A database of particular complexity and scale characterized by 3 key Vs: Volume, Velocity (rate of update), and Variety (diversity of data types in terms of structure, type, and nature of the data).
"BPO" Business Process Outsourcing	Transfer of business processes to the operation and responsibility of an external supplier – a third-party.
"C4 ISR"	Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance.
“Customer Analytics”	A process of collecting and analyzing customer data to understand their behavior, preferences, and

Term	Definition
	needs. The purpose of the process is to provide useful business insights that enable businesses to improve the customer experience, increase sales, and improve profitability.
"Customer Experience" (CX)	The totality of interactions a customer has with the organization. Customer experience design enables defining a plan that helps provide the customer with a positive and meaningful experience at all touchpoints with the organization, whether through digital or physical channels (branches, billboards, television, etc.).
"Data Science"	A field of scientific methods, processes, algorithms, and systems for knowledge sharing or deriving insights from data in various forms, structured or unstructured, similar to machine learning.
"DBA" - Data Base Administration	Planning, design, construction, ongoing maintenance, protection, and continuous optimization of the organization's databases, maintaining database "health" including survivability, availability, information security, and performance.
"Deep Learning" and "Machine Learning"	Machine learning deals with algorithms that enable computers to learn from examples and is suitable for a variety of computational tasks where classical programming is not feasible. Deep learning is a sub-field of machine learning that addresses even more complex problems using big data, specialized hardware, and multi-parameter neural networks.
"DevOps"	A development culture that enables development (Dev) and operations (Ops) teams to work together on planning, development, testing, deployment, and operation of software, through the integration of automated tools, flexible computing infrastructure, and work principles.
"DRP" - Disaster Recovery Plan	A plan comprising processes, policies, procedures, and infrastructures used for recovery from a disaster that disables for a significant period the technology infrastructure critical to an organization's operations (such as fire, earthquake, explosion, etc.), which is a sub-process of the Business Continuity Planning (BCP) process described above.

Term	Definition
"DTO" - (Data Driven Organization)	An organization in which decision-making is based on data analysis and the insights derived therefrom, rather than on intuition or gut feeling.
"EIM" - Enterprise Information Management	Enterprise Information Management; EIM is intended to ensure the reliability, completeness, and consistency of information throughout all business processes in the organization.
"ERP" - Enterprise Resource Planning	A system used for administrative data processing that handles, in an integrative manner, key business processes in the organization, including: human resources, finance, logistics, manufacturing, operations, etc.
"Fixed Price"	A contract for a pre-agreed amount in which the supplier is responsible for completing the project and delivering agreed-upon deliverables, subject to the amount stipulated in the contract.
“Generative AI”	A field of artificial intelligence focused on developing models capable of creating new and unique content.
"GRC" - Governance, Risk and Compliance	The integration of three disciplines: corporate governance, risk management, and compliance (with regulations, laws, and internal organizational procedures). Their common denominator is the protection and safeguarding of the organization from external threats, regulatory audits, and management failures.
"IaaS" - Infrastructure as a Service	A computing model in which computing infrastructure (processing power, memory, storage space) is offered as a service and available for consumption on a pay-per-use basis, where the resources provided scale up/down as needed (On-Demand) elastically.
"IoT" - Internet of Things	A connected array of objects, uniquely identified, that integrate technology enabling them to connect, monitor, and perform actions. The "things" interact with themselves, with the environment, and with other objects.
"Industry 4.0"	A term representing an organizational approach to managing factories and industrial processes in a smart and modern manner, with communication capabilities and interfaces of manufacturing machines and integration of technologies such as the

Term	Definition
	Internet of Things, real-time data analysis, robotics, artificial intelligence, and cybersecurity. In the Industry 4.0 era, machines will increasingly rely on machine learning and be capable of making autonomous decisions using big data, designing manufacturing processes and running simulations, with the aid of cloud computing. The integration of robotics and smart sensors will improve and refine the manufacturing process.
"IIoT" - Industrial Internet of Things	A specific type of IoT applied in the industrial sector in manufacturing plants. With a focus on machine-to-machine communication (M2M), big data, and machine learning, IIoT enables industries and organizations to achieve better efficiency and reliability in manufacturing floor operations.
"ITSM" - IT Service Management	All activities guided by policies, processes, and procedures that govern the IT services that an information systems organization provides to its internal and external customers.
"Low Code"	A code development methodology using graphical interfaces and configuration tools alongside traditional code development. Enables rapid application development and a significant "shortcut" to working applications.
"Nearshore"	A branch of outsourcing that involves transferring various professional activities that are not part of the company's core business to companies that specialize in these fields and operate in the same country in which the company itself operates.
“Managed Services”	Managed Services are a business practice in which an organization transfers responsibility for the management and operation of certain parts of its IT infrastructure or business processes to an external provider. The Managed Services Provider (MSP) assumes responsibility for monitoring, maintenance, support, and management of systems and applications, while ensuring optimal performance and security.
"NLP" - Natural Language Processing	A sub-field of artificial intelligence and linguistics that studies problems related to the processing and manipulation of natural language, and the understanding of natural language in order to enable

Term	Definition
	computers to "understand" things said or written in human languages.
"OEM" - Original Equipment Manufacturer	A term used in various manufacturing fields (including computing), describing a manufacturer that integrates into its product a component (hardware or software) purchased from another company.
"Offshore"	In the offshore model, organizations turn to suppliers from foreign countries and transfer various professional activities to them, as opposed to the nearshore model in which organizations transfer professional activities to suppliers from the same country.
"PaaS" - Platform as a Service	A service that provides a platform for developing, running, and managing applications over the network on a subscription and/or pay-per-use model.
"PLM" - Product Lifecycle Management	A process of managing engineering knowledge throughout the product lifecycle from the concept stage, through design, detailed design, manufacturing, marketing and sales, service, and recycling or disposal.
"RPA" – Robotic Processing Automation	Software that converts repetitive, rules-based processes performed by humans into automated processes performed by bots.
"SaaS" – Software as a Service	Delivery of applications (such as email, billing, ERP, CRM) as services over the network, without local installation, on a subscription and/or pay-per-use model.
"SLA" - Service Level Agreement	A legal agreement between the service provider and the service recipient that defines, in quantitative and outcome-based terms, the service framework, its scope, measurement method, and limitations. The agreement may contain a penalty/reward mechanism based on meeting the required service level.
"SOC" - Security Opertion Center	An information security center in an organization comprising people, processes, and dedicated technology for the purpose of prevention, detection, monitoring, analysis, and ongoing response to cybersecurity events.

Term	Definition
"Soft Skills"	The set of skills required of an employee/individual as a basis for achieving their goals that are not directly derived from their profession/specialization (e.g., interpersonal communication, presentation and public speaking ability, persuasion ability, negotiation skills, etc.).
"T&M"– Time & Materials	A billing method based on actual working time invested plus the cost of materials.
“SOW” (Statement of Work)	A formal document defining all aspects of a specific project, including: scope of work, deliverables, timelines, budget, and terms.
"WMS" - Warehouse Management System	WMS is software that enables efficient and effective management of logistics warehouses, sometimes in combination with robotic systems.

CHAPTER B

Board of Directors' Report For the year ended December 31, 2025

The information contained in the Report of the Board of Directors published by the Company, constitutes a translation of the Report of the Board of Directors published by the Company. The Hebrew version was submitted by the Company to the relevant authorities pursuant to Israeli law, and represents the binding version and the only one having legal effect. This translation was prepared for convenience purposes only.

Table of Contents

1.	Board of Directors' Explanations of the Corporation's Business Position	3
1.1.	Key Data from the Description of the Corporation's Business	3
1.1.1.	Description of Business Segments	3
1.1.2.	Material Events During the Reporting Period	6
1.1.3.	Material Events After the Date of the Financial Statements	7
1.1.4.	Key Operating Results for the Last 5 Years (2021-2025)	7
1.1.5.	Summary of Consolidated Income Statements for the Years Ended December 31, 2025 and December 31, 2024 and for the Fourth Quarter Ended on Those Dates	11
1.2.	Analysis of Operating Results	12
1.2.1.	Seasonality	12
1.2.2.	Analysis of Operating Results	12
1.2.3.	Summary of Consolidated Income Statement Results by Quarters for 2025 Including Q4 2024	18
1.2.4.	Summary of Consolidated Income Statement Results by Business Segments for 2025 vs. 2024 and Q4 2025 vs. Q4 2024	19
1.2.5.	Analysis of Operating Results by Business Segments for 2025 vs. 2024	22
1.2.6.	Engagements and Special Events	25
1.3.	Financial Position, Liquidity and Funding Sources	26
2.	Pro-Forma Report – Matrix Magic	30
3.	Exposure to Market Risks and Risk Management	32
4.	Corporate Governance Aspects	32
4.1.	Donations Policy	32
4.2.	Directors with Accounting and Financial Expertise	32
4.3.	Independent Directors	32
4.4.	Disclosure Regarding the Internal Auditor	33
4.5.	Disclosure Regarding External Auditors' Fees	34
4.6.	Activities of the Board of Directors and Its Committees	34
5.	Disclosure Requirements in Connection with the Corporation's Financial Reporting	35
Appendix A	Details Regarding Bonds Issued by the Company and Held by the Public as of the Date of the Report	37

1. The Board of Directors' Explanations for the Corporation's Results of Operations and Financial Position

1.1. Key information from the Corporation's business description

1.1.1. Description of operating segments

Matrix IT Ltd., together with its subsidiaries, is a company operating in the fields of information technology (IT) solutions and services, consulting and management in Israel and abroad.
The Matrix Group employs over 12,000 software, hardware, engineering, integration and training professionals, providing advanced information technology and management services to hundreds of customers in the Israeli market as well as to customers in the US market. The Group is also engaged in the sale and marketing of software and hardware products of a wide range of manufacturers from Israel and worldwide, and in the provision of consulting services, project management and multidisciplinary engineering consulting.
The Company has four areas of operations – (1) IT Solutions and Services, Consulting, and Management in Israel; (2) IT Solutions and Services in the US; (3) Marketing and Support of Software Products; and (4) Cloud and Computing Infrastructures. The Company provides solutions, services and products to thousands of customers from the following key sectors ('Sectors'): Banking and Finance, Hi-Tech, Government and Public Sector, Defense, Transportation, Healthcare, Industry, Retail and Commerce, Education and Academia. Within each sector, dedicated departments specialize in providing specific solutions for the particular customer sector in which they operate and also manage and execute projects on behalf of the Company's cross-sector units

Business environment [1]

The business environment in which the Company operates is directly influenced by global and local trends and events, the key ones of which are presented below.

a. Global economic environment

As of the date of this report, the stabilization trend in the global economy continues, having dealt in recent years with the consequences of the rise in inflation, and the subsequent increase in interest rates, during the exit from the COVID-19 period.

In the US market, inflation continues its downward trajectory and currently stands at 2.7% (December 2025, in annual terms, based on the last 12 months – LTM). Consequently, the US Federal Reserve continues to reduce interest rates, which currently stand at 3.75% as of this date.
In the Eurozone as well, the downward trajectory of inflation continues, standing at 2% (December 2025 – LTM). The interest rate of the European Central Bank stands, as of the date of this report, at 2.15%, following several rate reductions.

Beginning in April 2025, the US administration has been implementing a program to raise tariff rates on imports into the US from countries with a significant trade surplus with the US. In this context, new trade agreements were signed between the US and various countries worldwide. The tariff rate imposed on imports into the US from Israel stands at

[1] Within this section, various data based on studies and different websites were included. The Company did not request, and in any case did not receive, the consent of the editors of the aforementioned websites for the inclusion of such information in the report. Such information is publicly available to the best of the Company's knowledge. Additionally, no verification was conducted by the Company regarding their accuracy or reliability.

15% (compared with an exemption from tariffs on the vast majority of products imported into Israel from the US). The Company estimates that this tariff program is not expected to have a direct impact on the Company's operations.

Despite the downward trend in global inflation in recent years, concerns remain regarding further inflationary outbreaks and price increases. This is due, inter alia, to the escalation of existing geopolitical wars and conflicts and the possibility of new conflicts developing, as well as the tariff imposition policy of the US administration.

b. Israel economic environment

The key global economic trends detailed above were largely reflected in the Israeli economy as well. However, the Israeli economy has been primarily affected over the past two years by unique and complex local events with a material impact, foremost among them the `Swords of Iron` War and its consequences.

c. National security situation

As of the date of this report, the 'Swords of Iron' War, which broke out on October 7, 2023 (including related military operations in additional combat zones), continues to affect Israel's geopolitical and economic environment. During the war, Israel conducted combat operations against Iran-backed terrorist organizations in the Gaza, Lebanon, Syria and Yemen arenas.

In early 2026, tensions between the US and Iran escalated, peaking on February 28, 2026, in 'Operation Lion's Roar' – aerial strikes on Iran by the US and Israel. During the operation, ballistic missiles and UAVs were launched at Israel and at American targets in Persian Gulf states. Two days after the commencement of combat against Iran, the Hezbollah terrorist organization also joined the fighting, which is now being conducted on two fronts.

The heightened geopolitical risk environment also affected Israel's sovereign credit rating. During 2024, rating agencies Moody's and S&P downgraded Israel's credit rating to Baa1 and A, respectively, and during 2025 further lowered the outlook to negative. With the stabilization of geopolitical risk levels, the rating agencies raised the outlook to stable (S&P on November 7, 2025; Moody's on January 31, 2026).

Throughout the entire war period, despite the many difficulties and challenges in the business environment, the Israeli economy demonstrated strength and resilience. Moreover, commencing from the second half of 2024, following Israel's military successes, positive trends in the economy can be identified. During the second half of 2025 and until close to the date of this report, the shekel strengthened sharply. Government bonds also reflected a decline in the risk premium compared with the initial escalation days.

These positive trends are contingent on the duration/scope of the current operation and its outcomes. However, in the medium and long term, should there be a significant reduction in the Iranian threat, the assessment is that this is expected to have positive implications for the growth potential of the Israeli economy.

d. Economic Indicators

1) Inflation and interest

As of the date of this report, the Bank of Israel interest rate stands at 4%, following several interest rate reductions in the past year. The rate of increase in the Consumer Price Index currently stands (December CPI LTM) at 2.6%.

According to the Bank of Israel's estimate, the inflation rate at the end of 2026 is expected to stand at 1.7%, and the Bank of Israel interest rate in the fourth quarter of 2026 is expected to stand at 3.5%.

The Company estimates that the impact of inflation on its operating results is not material, inter alia due to the fact that the Company's financial debt is not CPI-linked. On the other hand, an increase in interest rates, to the extent it occurs, may adversely affect the Company's operating results through an increase in finance costs on variable-rate loans (commercial paper and short-term bank loans), as well as on new fixed-rate loans that will replace loans reaching maturity. It should further be noted in this context that the principal component of the Company's expenses is labor costs (approximately 55% of the Company's operating expenses), which the Company estimates is affected primarily by supply and demand trends for technology personnel, and inflation is expected to have a limited impact on it.

2) Real economic activity

According to CBS publications, gross domestic product grew by 3.1% in 2025. According to the Bank of Israel forecast[2], GDP is expected to grow by 5.2% in 2026. The heavy war expenditures led to an increase in Israel's trade deficit, the forecast for which for 2025, as of the date of this report, stands at 4.8% of GDP. In addition, the unemployment rate in the economy currently stands at 3.1%, reflecting a tight labor market.

3) Exchange rates

Changes in the dollar exchange rate (and to a lesser extent also the euro) and its volatility affect the Company's results, with emphasis on the operations of the Cloud and Computing Infrastructures segment and the Marketing and Support of Software Products segment (cloud transactions, hardware and software products, some of which are denominated in dollars), and on the (NIS-denominated) results of the IT Solutions and Services in the US segment. In addition, the exchange rate affects adjustments from the translation of financial statements of US subsidiaries (charged to the translation differences reserve). As a rule, an upward trend in the dollar exchange rate in a given period has a positive impact on the Company's results, and conversely in the case of a decline in the dollar exchange rate. The Company routinely executes hedges against foreign currency exposures.

During the fourth quarter, the downward trend in the dollar exchange rate against the shekel continued, declining by 12.5% and 3.5% during 2025 and the fourth quarter of the year, respectively.

[2] https://www.boi.org.il/publications/regularpublications/staff-forecast/%D7%94%D7%AA%D7%97%D7%96%D7%99%D7%AA-%D7%94%D7%9E%D7%A7%D7%A8%D7%95-%D7%9B%D7%9C%D7%9B%D7%9C%D7%99%D7%AA-%D7%A9%D7%9C-%D7%97%D7%98%D7%99%D7%91%D7%AA-%D7%94%D7%9E%D7%97%D7%A7%D7%A8-%D7%99%D7%A0%D7%95%D7%90%D7%A8-2026/

As explained above, the appreciation of the shekel entails a negative offsetting effect on the Company's continued growth trend in revenues and profits (i.e., without it the Company would have presented even higher growth). In addition, following the appreciation of the shekel against the dollar (and the euro), the Company recorded in 2025 and in the fourth quarter financial expenses in respect of FX differences (net of gains recorded on hedging transactions) of NIS 23.1 million and NIS 6.7 million, respectively, as well as a movement in the equity reserve from translation differences (net of the effect of hedging activity charged to equity reserve) of NIS 48.9 million and NIS 14.8 million, respectively, which was charged to other comprehensive income.

e. The high-tech industry

As a company providing solutions, products and services in the field of information systems, the Company competes with companies in the Hi-Tech sector for quality personnel. In addition, a significant portion of the Company's revenues (approximately 18% in 2025) derives from customers in the Hi-Tech sector. Israeli Hi-Tech has been in a challenging period over the past two years, reflected, inter alia, in a decline in the number of start-up companies and a decrease in demand for technology personnel, with emphasis on inexperienced employees (juniors).

A report by the Knesset Research and Information Center from November 2025[3] presents a decline of 40% in the number of open positions in Hi-Tech services between 2022 and 2025. According to the report, demand for workers in Hi-Tech services declined sharply in the period between January 2022 and October 2023 and has since been on a moderate upward trend.

The Company estimates that the moderation in demand for personnel in Hi-Tech companies may facilitate the Company's employee recruitment and retention efforts, and moderate pressures for salary increases from employees. On the other hand, the uncertainty in the Hi-Tech industry may lead to a reduction in demand and even adversely affect some of the Company's customers in this area of operations, and consequently adversely affect the Company's operating results.

The information set forth above in this section, including with respect to the Company's assessments regarding the implications for its operations, in connection with the security situation, the Company's economic environment, US tariff policy, interest rate and inflation trends, exchange rate volatility and trends in the Hi-Tech sector, constitutes forward-looking information, as defined in the Securities Law, 5728-1968 (the 'Securities Law'), based on management's assessments and business experience and on assumptions, various scenarios, analyses and public information, as well as estimates of research companies and analysts, as of the date of this report. This information may not materialize, in whole or in part, or may materialize in a manner different, including materially, from what is expected, inter alia as a result of geopolitical developments, changes in economic or regulatory policy, or the materialization of all or some of the risk factors set forth in Section 19 of the Annual Report.

[3] https://fs.knesset.gov.il/globaldocs/MMM/f42519ae-0dc9-f011-a865-005056aa9911/2_f42519ae-0dc9-f011-a865-005056aa9911_11_21179.pdf

1.1.2. Material events during the reporting period

a. Acquisition of Gav Systems

On February 4, 2025, the Company, through its subsidiary Matrix IT Systems Ltd., completed the acquisition of 70% of the share capital of Gav Systems Ltd. and Gav Expert Ltd. for a total of NIS 45.5 million.
In addition, the sellers were paid a dividend for the accrued earnings up until 31.12.23 in the amount of NIS 29 million. Pursuant to the agreement, the Company and the seller have a mutual option to sell and purchase the seller's remaining shares to the Company. Gav Systems provides professional services, primarily in the fields of computing and software development. Gav Systems' operating results are consolidated in the Company's financial statements (in the IT, Consulting, and Management Solutions in Israel segment) as of the beginning of the first quarter of 2025.

b. Transaction with Non-Controlling Interest Holders

During the first quarter, the Company entered into a mutual put/call options renewal agreement with minority holders in a subsidiary for the sale and acquisition of the minority holder's remaining shares of that subsidiary. The transaction was accounted for directly to equity.

1.1.3. Material events during the reporting period

a. Completion of the merger with Magic

Further to the Company's immediate reports dated March 11, 2025 (Reference No.: 2025-01-015939) and November 3, 2025 (Reference No.: 2025-01-083233), regarding the execution of a merger agreement between the Company and Magic Software Enterprises Ltd. ("Magic"), on February 24, 2026, the transaction was completed following the fulfillment of the conditions precedent set forth in the merger agreement.

As part of the merger, which was carried out by way of a reverse triangular merger, the Company acquired the entire issued and paid-up share capital of Magic, and as of the completion date of the merger, Magic became a wholly owned (100%) subsidiary of the Company. Upon completion of the transaction, Magic's shares were delisted from trading on NASDAQ and on the Tel Aviv Stock Exchange, and Magic ceased to be a public company.

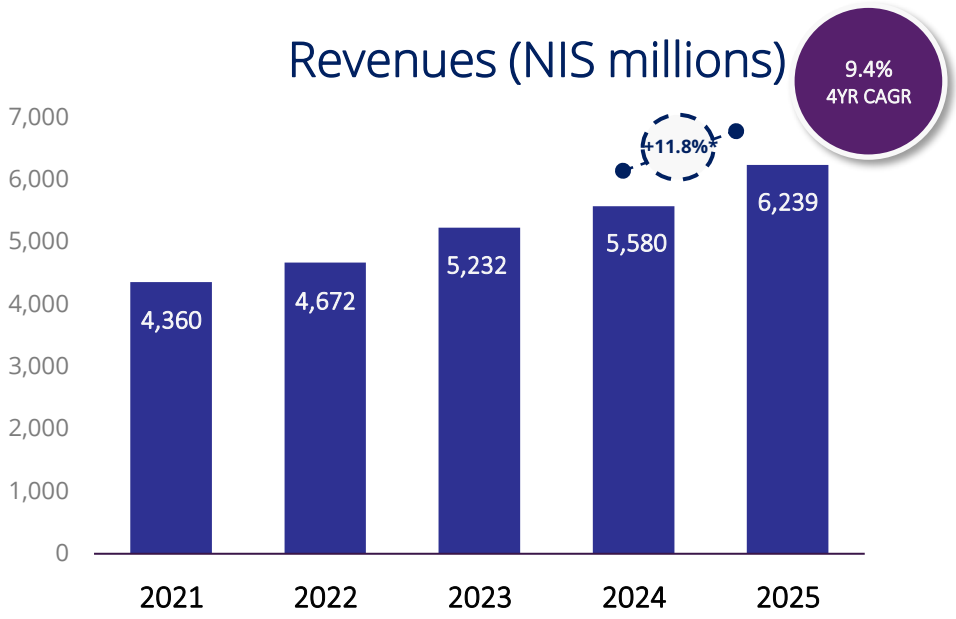
For a description of the principal terms of the transaction and the merger agreement, see the aforementioned immediate reports. For a description of Magic's operations, including its areas of activity, customers, and order backlog, see Section 20 of Chapter A ("Description of the Corporation's Business") of this report. For pro-form financial information (unaudited) regarding the combined results of the two companies, see Section 2 below.

b. Issuance of convertible bonds (Series 2)

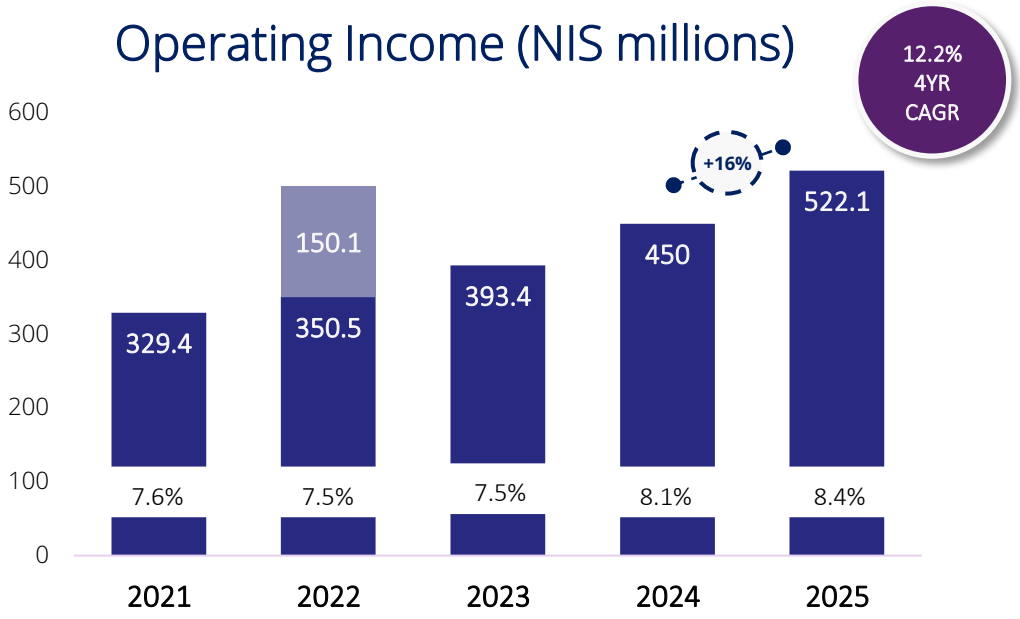
On February 4, the Company completed an issuance of convertible bonds (Series 2) with a nominal value of NIS 297 million, for gross proceeds of NIS 300.6 million. The bonds bear annual interest at a rate of 0.5% and will mature in a single payment on February 1, 2031.

The convertible bonds (Series 2) are convertible on any trading day, such that each NIS 180 nominal value of bonds is convertible into one ordinary share of the Company (subject to customary adjustments). For further details, see Appendix A to the Directors' Report and Note 25a to the consolidated financial statements.

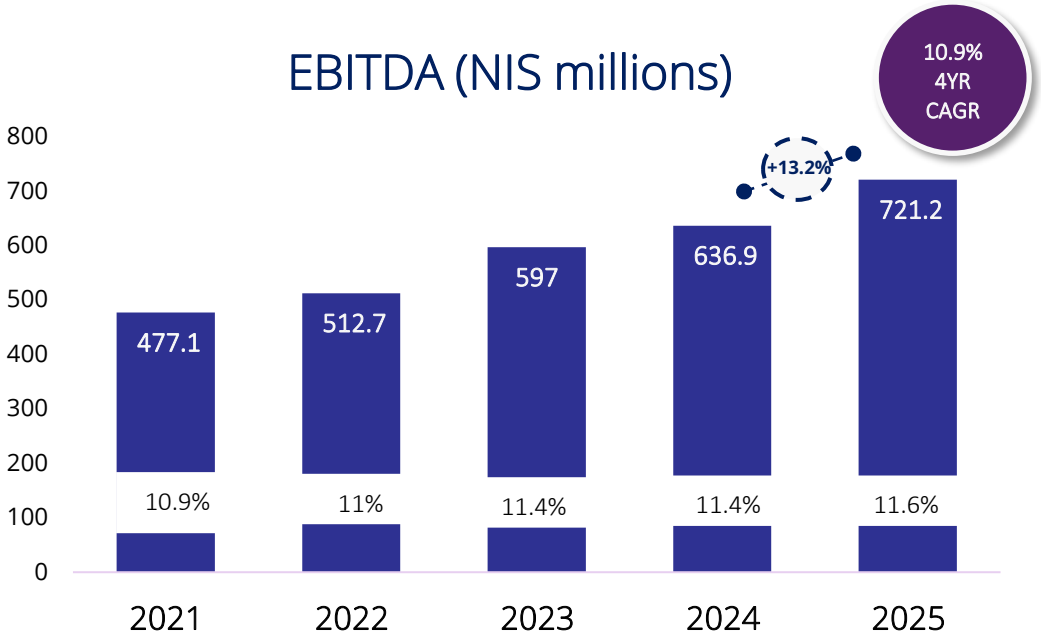
1.1.4. Key breakdown of operating results in the past 5 Years (2021–2025)

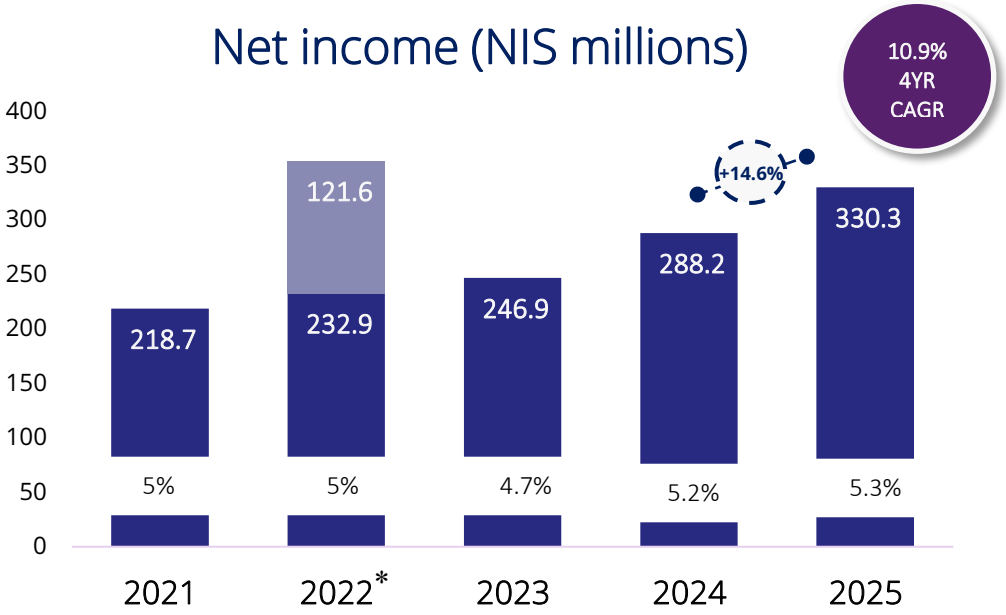


*Adjusted for the increase in the volume of revenues presented on a net basis, revenue growth in 2025 came to 15.4%. For further explanations, see Section 1.2.2(5) below.

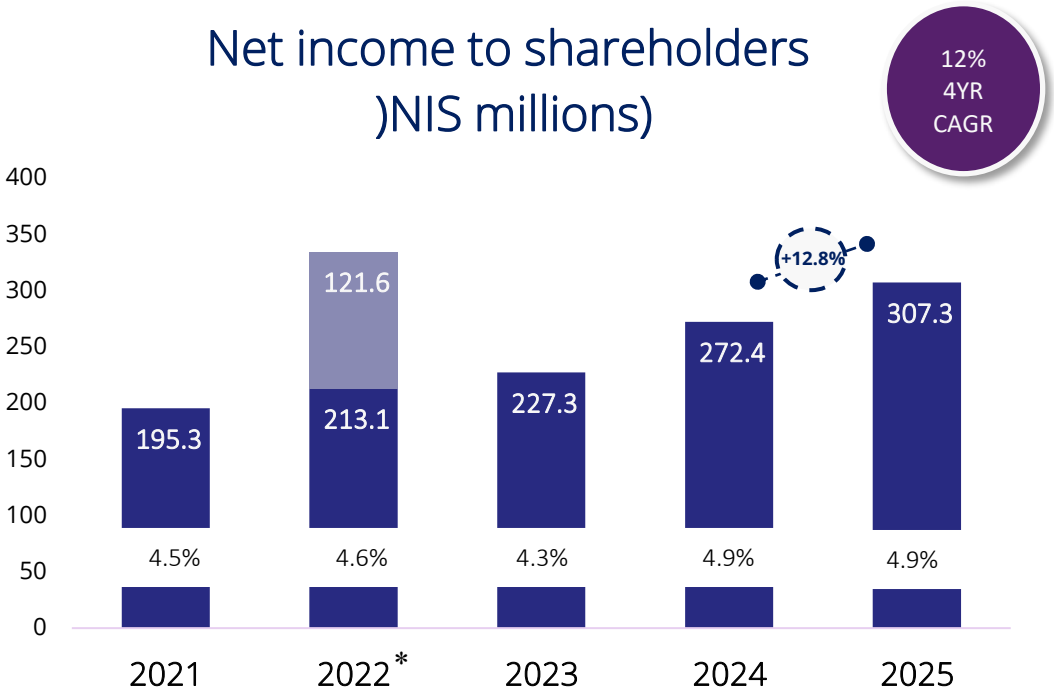


* In 2022 includes a capital gain from the realization of an investment in Infinity in the gross amount of NIS 150.1 million and NIS 121.6 million after tax.

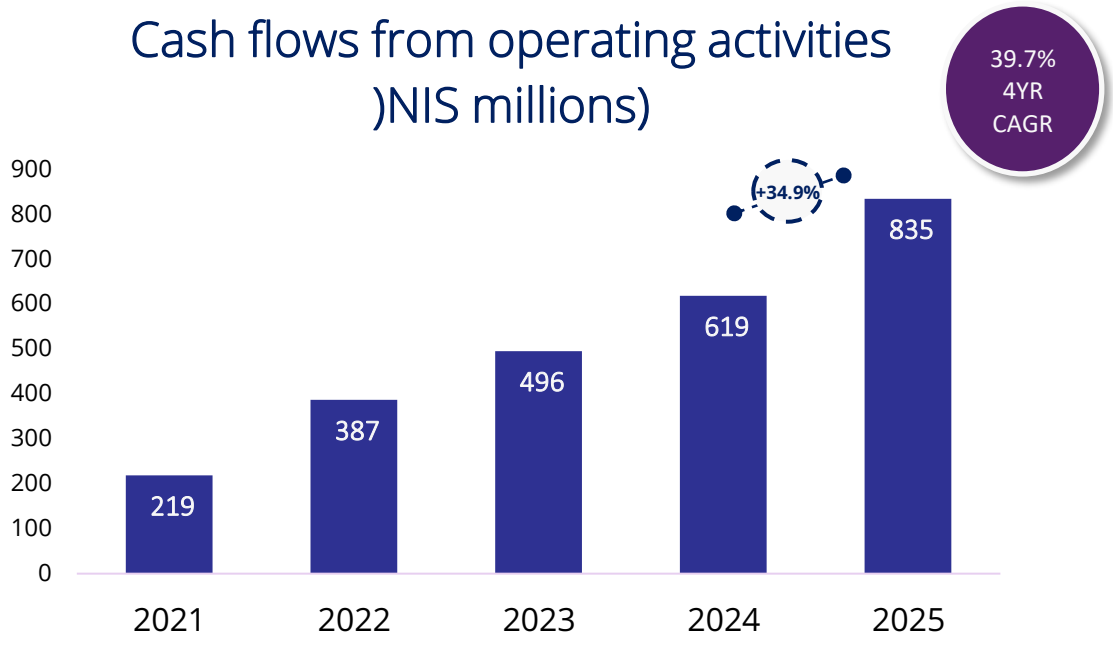




* In 2022 includes a capital gain from the realization of an investment in Infinity in the gross amount of NIS 150.1 million and NIS 121.6 million after tax.



* In 2022 includes a capital gain from the realization of an investment in Infinity in the gross amount of NIS 150.1 million and NIS 121.6 million after tax.


Cash flows from operating activities
)NIS millions)
39.7%
4YR
CAGR
900
800
700
600
500
400
300
200
100
0
219
387
496
619
835
+34.9%
2021
2022
2023
2024
2025

1.1.5. Summary of Consolidated Income Statements for the Years Ended December 31, 2025 and December 31, 2024 and for the Fourth Quarter Ended on Those Dates (NIS thousands)

	For the year ended	For the year ended	Change in %	For the three months ended	For the three months ended	Change in %
	31.12.25	**31.12.24**		**31.12.25**	**31.12.24**	
Revenues (*)	6,238,940	5,579,538	11.8%	1,599,751	1,374,283	16.4%
Cost of revenues and services	5,299,273	4,746,544	11.6%	1,351,389	1,155,265	17%
Gross profit	**939,667**	**832,994**	**12.8%**	**248,362**	**219,018**	**13.4%**
% of revenues	**15.1%**	**14.9%**		**15.5%**	**15.9%**	
Selling and marketing expenses	218,843	196,231	11.5%	55,091	49,918	10.4%
General and administrative expenses	198,686	186,689	6.4%	55,323	49,140	12.6%
Operating income	**522,138**	**450,074**	**16%**	**137,948**	**119,960**	**15%**
% of revenues	**8.4%**	**8.1%**		**8.6%**	**8.7%**	
Financial expenses, net	84,691	66,872	26.6%	20,098	19,298	4.1%
Profit before taxes on income	437,447	383,202	14.2%	117,850	100,662	17.1%
Taxes on income	107,128	94,978	12.8%	28,733	26,679	7.7%
Net income	**330,319**	**288,224**	**14.6%**	**89,117**	**73,983**	**20.5%**
% of revenues	**5.3%**	**5.2%**		**5.6%**	**5.4%**	
Net income attributable to:						
Equity holders of the company	307,281	272,422	12.8%	80,811	69,885	15.6%
Non-controlling interests	23,038	15,802	45.8%	8,306	4,098	102.7%
Net income	**330,319**	**288,224**	**14.6%**	**89,117**	**73,983**	**20.5%**
% of revenues	**5.3%**	**5.2%**		**5.6%**	**5.4%**	
EBITDA[4]	**721,239**	**636,885**	**13.2%**	**186,807**	**168,949**	**10.6%**
% of revenues	**11.6%**	**11.4%**		**11.7%**	**12.3%**	

* Adjusted for the increased revenues accounted for on a net basis, the growth rate in revenues in 2025 came to 15.4%. The effect of adjusting for the increase in revenues recognized on a net basis during the quarter was negligible. For further explanations, see Section 1.2.2(5) below.

[4] Earnings before interest, taxes, depreciation and amortization

1.2. Analysis of Operating Results

1.2.1. Seasonality

In the fourth quarter of 2025, the number of working hours was similar to that in the corresponding period (for details, see also Section 9 of the Description of the Corporation's Business as of December 31, 2025 regarding 'Seasonality').

1.2.2. Analysis of Operating Results

1) The Company's revenues in 2025 amounted to a record of NIS 6,238.9 million, compared with NIS 5,579.5 million in 2024, an increase of 11.8%. The growth rate in revenues in 2025, adjusted for the increase in volume of revenues accounted for on a net basis, is about 15.4% (see Section 5 below for details).

   The Company's revenues in the fourth quarter totaled NIS 1,599.8 million, compared with NIS 1,374.3 million in the corresponding quarter, an increase of about 16.4%. The growth rate in revenues, adjusted for the increase in volume of revenues accounted for on a net basis, in the quarter was negligible.

   The increase in revenues in 2025 compared with the corresponding period was due to an increase in the volume of operations in the IT Solutions and Services, Consulting, and Management in Israel segment and in the Cloud and Computing Infrastructures segment, which was partially offset by a decrease in revenues in the Marketing and Support of Software Products segment and a negligible decrease in the IT Solutions and Services in the US segment (in NIS terms, compared with an increase in revenues in dollar terms). The increase in revenues in the quarter was due to an increase in the volume of operations in all segments except for a decrease in the Marketing and Support of Software Products segment.

   The increase in revenues in 2025 and in the fourth quarter was impacted by the first time consolidation of the operating results of companies acquired by the Company - Gav Systems (starting as of the first quarter 2025), Rotec (starting December 2024), and Alacer (starting as of the fourth quarter 2024). Net of the effect of the consolidation of these companies for the first time, the Company recorded organic growth in revenues of 7.1% and 12.2% in 2025 and in the quarter, respectively. Organic growth in revenues, after neutralizing the effect of the increase in revenues in 2025 recorded on a net basis came to 10.7% (as noted, the effect of the accounting method for revenue recognition, on a gross or net basis, in the quarter, was negligible).

2) Gross profit in 2025 amounted to a record of NIS 939.7 million (approximately 15.1% of revenues), compared with NIS 833 million in 2024 (approximately 14.9% of revenues), an increase of 12.8%.

   Gross profit in the fourth quarter amounted to a record of NIS 248.4 million (approximately 15.5% of revenues), compared with NIS 219 million in the corresponding quarter (approximately 15.9% of revenues), an increase of 13.4%.

   The increase in gross profit as a margin of total revenues in 2025 and in the fourth quarter is primarily attributable to the increase in the Company's volume of activity.

3) Selling, marketing, general & administrative expenses in 2025 amounted to NIS 417.5 million (approximately 6.7% of revenues), compared with NIS 382.9 million in 2024 (approximately 6.9% of total revenues), an increase of NIS 34.6 million.

SG&A expenses in the fourth quarter amounted to NIS 110.4 million (approximately 6.9% of revenues), compared with NIS 99 million in the corresponding quarter (approximately 7.2% of total revenues), an increase of NIS 11.4 million.

The increase in SG&A expenses in 2025 and in the fourth quarter (while their share of total revenues decreased) is attributable to an increase in the volume of activity (including the first-time consolidation of subsidiaries during the period) and to the recognition of one-time costs related to the Magic merger transaction.

It should be noted that selling expenses include an amount of NIS 28.9 and NIS 7.3 million for the period and the quarter, respectively (compared with approximately NIS 22.2 and approximately NIS 5.9 million in the corresponding periods, respectively) in respect of amortization of intangible assets arising from business combinations (the increase in the amortization of intangible assets derives from the first-time consolidation of subsidiaries, as detailed above).

General and administrative expenses include an amount of NIS 8.2 and NIS 1.9 million for the period and the quarter, respectively, for share-based payment expenses for officers and senior managers (compared with approximately NIS 18 million and approximately NIS 4.5 million in the corresponding periods, respectively) for share-based payment compensation expenses for officers and senior managers.

4) Operating Income

Operating income in 2025 amounted to a record of NIS 522.1 million (approximately 8.4% of revenues), compared with NIS 450 million (approximately 8.1% of revenues), an increase of 16%.

Operating income in the fourth quarter amounted to a record of NIS 138 million (approximately 8.6% of revenues), compared with NIS 120 million (approximately 8.7% of revenues) in the corresponding quarter, an increase of 15%.

The increase in operating income in 2025, and in its margin of total revenues, compared with the corresponding period, is attributable to income growth in all segments. The increase in operating income in the fourth quarter, compared with the corresponding quarter, is attributed to growth in profit across all segments, except for a negligible decrease in income in the IT Solutions and Services in the US segment (in NIS terms, compared with an increase in operating income in USD terms).

Further to the details provided in the revenues section above, net of the effect of the first-time consolidation of Gav, Artech and Alacer, the Company recorded organic growth in operating income of 11.2% and 10.5% in 2025 and in the quarter, respectively.

For the impact of the increase revenues from transactions who's accounted for on a net basis on the operating income margin, see Subsection 5 below.

5) **Key results of the Company adjusted for the impact of revenue accounted for on a net basis**

During 2025 and in the fourth quarter, the Company recorded an increase in revenues that, according to IFRS, must be recognized on a net basis (most of the increase – in the Cloud and Computing Infrastructures segment). This affects the Company's revenues, revenue growth rate, and profit margin. For the sake of comparability, the following analysis presents the Company's revenues and operating income, net of the impact of gross/net revenue presentation:

	For the year ended	For the year ended	Change in %	For the three months ended	For the three months ended	Change in %
	31.12.25	**31.12.24**		**31.12.25**	**31.12.24**	
Revenues	6,238,940	5,579,538	11.8%	1,599,751	1,374,283	16.4%
Adjustments for the increase in revenues accounted for on a net basis	200,771	-		566	-	
Adjusted revenues	**6,439,711**	**5,579,538**	**15.4%**	**1,600,317**	**1,374,283**	**16.4%**
Operating income	522,138	450,074	16%	137,948	119,960	15%
% of revenues	**8.1%**	**8.1%**		**8.6%**	**8.7%**	

6) **Financial Expenses, Net**

Financial expenses, net in 2025 amounted to NIS 84.7 million, compared with financial expenses, net of NIS 66.9 million in 2024.

Financial expenses, net in the fourth quarter amounted to NIS 20.1 million, compared with financial expenses, net of NIS 19.3 million in the fourth quarter of 2024.

Below is a breakdown of financial expenses (NIS thousands):

	For the year ended	For the year ended	For the three months ended	For the three months ended
	31.12.25	**31.12.24**	**31.12.25**	**31.12.24**
Interest, commissions, and other (net)	24,927	25,442	6,180	6,088
Exchange rate differences	23,090	14,321	6,689	4,598
Accounting financial expenses*	36,674	27,109	7,229	8,612
Total financial expenses (net)	**84,691**	**66,872**	**20,098**	**19,298**

* Mainly financial expenses in respect of leases, adjustments for put options for non-controlling interests in subsidiaries, and changes in the fair value of investments measured at fair value.

As set forth above, the increase in financial expenses in 2025 compared to the corresponding period, is primarily attributable to an increase in accounting financial expenses – mainly resulting from increased profitability in subsidiaries on the revaluation of existing put options to minority shareholders derived from the increased profitability in these subsidiaries (including subsidiaries consolidated for the first time), and from FX differences resulting from the depreciation of the U.S. dollar against the shekel by approximately 12.5% in 2025. (For further details, see Section 1.1.2 of this report). The slight increase in financial expenses in the quarter compared with the corresponding period is primarily due to an increase in expenses in respect of FX differences (as a result of the depreciation of the dollar exchange rate against the shekel of approximately 3.5%), which were partially offset by a decrease in accounting financial expenses.

7) Taxes on income

Tax expenses in 2025 amounted to NIS 107.1 million (approximately 24.5% of income before tax), compared with NIS 95 million in 2024 (approximately 24.8% of income before tax).

Tax expenses in the fourth quarter amounted to NIS 28.7 million (approximately 24.4% of income before tax), compared with NIS 26.7 million (approximately 26.5% of income before tax) in the corresponding quarter.

The increase in tax expenses is attributable to the increase in profit. The decrease in the Company's effective tax rate in 2025 and in the fourth quarter, compared with the corresponding periods, is mainly due to a decrease in non-deductible expenses for tax purposes (including in respect of share-based compensation).

8) Net Income

Net income in 2025 amounted to a record of NIS 330.3 million (approximately 5.3% of revenues), compared with NIS 288.2 million (approximately 5.2% of revenues) in 2024, an increase of about 14.6%.

Net income in the fourth quarter amounted to a record of NIS 89.1 million (approximately 5.6% of revenues), compared with NIS 74 million (approximately 5.4% of revenues) in the corresponding quarter, an increase of about 20.5%.

9) Net income attributable to equity holders of the Company

Net income attributable to equity holders of the Company in 2025 amounted to a record of NIS 307.3 million (approximately 4.9% of revenues), compared with NIS 272.4 million (approximately 4.9% of revenues) in 2024, an increase of about 12.8%.

Net income attributable to equity holders of the Company in the quarter amounted to a record of NIS 80.8 million (approximately 5.1% of revenues), compared with NIS 69.9 million (approximately 5.1% of revenues) in the corresponding quarter, an increase of about 15.6%.

10) Total Comprehensive Income (NIS thousands)

	For the year ended	For the year ended	For the three months ended	For the three months ended
	31.12.25	**31.12.24**	**31.12.25**	**31.12.24**
Net Income	330,319	288,224	89,117	73,983
Other comprehensive income (net of tax effects)				
Amounts that will not be subsequently reclassified to profit or loss:				
Actuarial gain (loss) from remeasurement of defined benefit plans	5,596	2,722	2,781	799
Amounts that will be classified or reclassified to profit or loss if specific conditions are met:				
Change in fair value of instruments used in cash flow hedging	2,010	(4)	506	128
Adjustments for translation of financial statements of foreign operations	(50,968)	(1,140)	(15,319)	(9,329)
Total Comprehensive Income	**286,957**	**289,802**	**77,085**	**65,581**

In 2025 and in the fourth quarter, the Company recorded other comprehensive loss from the translation of financial statements of foreign operations (primarily US subsidiaries), net of hedging activity charged to equity reserve, of NIS 48.9 million and approximately NIS 14.8 million, respectively. This was due to the depreciation of the US dollar exchange rate against the shekel of 12.5% and 3.5% in 2025 and in the quarter, respectively.

Earnings before interest, taxes, depreciation and amortization – EBITDA (NIS thousands)

EBITDA figure is presented as a widely accepted indicator for measuring performance in comparable companies, and it represents an approximation of cash flows from operating activities, which excludes non-cash operating income and expenses, such as depreciation and amortization, including intangible assets acquired in business combinations.

Below, the EBITDA measure and adjusted EBITDA measure, excluding IFRS 16, are presented:

	For the year ended	For the year ended	Change in %	For the three months ended	For the three months ended	Change in %
	31.12.25	31.12.24		31.12.25	31.12.24	
Operating income	522,138	450,074	16%	137,948	119,960	15%
Depreciation and amortization	199,101	186,811	6.6%	48,859	48,989	(0.3%)
EBITDA	**721,239**	**636,885**	**13.2%**	**186,807**	**168,949**	**10.6%**
% of total revenues	11.6%	11.4%		11.7%	12.3%	
Net of depreciation expenses IFRS 16[5]	136,834	130,704	4.7%	32,398	34,120	(5%)
EBITDA net of IFRS 16	**584,405**	**506,181**	**15.5%**	**154,409**	**134,829**	**14.5%**
EBITDA net of IFRS 16	9.4%	9.1%		9.7%	9.8%	

11) Diluted net earnings per share attributable to the Company shareholders

Year	NIS
2025	4.81
2024	4.29
2023	3.58
2022*	5.30
2021	3.09

*Excluding net capital gain from the realization of Infinity – NIS 3.37 per share.

[5] Pursuant to IFRS 16 – Leases, lease payments are recognized as depreciation and financial expenses rather than as rental expenses.

1.2.3. Summary of consolidated profit and loss results by quarters for 2025 Including fourth 2024 (NIS thousands)

	Q4/25	Q3/25	Q2/25	Q1/25	Q4/24
Revenues	1,599,751	1,641,610	1,451,379	1,546,200	1,374,283
Cost of revenues and services	1,351,389	1,400,062	1,228,682	1,319,140	1,155,265
Gross profit	**248,362**	**241,548**	**222,697**	**227,060**	**219,018**
% of revenues	**15.5%**	**14.7%**	**15.3%**	**14.7%**	**15.9%**
Selling and marketing expenses	55,091	58,859	50,052	54,841	49,918
General and administrative expenses	55,323	51,209	45,926	46,228	49,140
Operating income	**137,948**	**131,480**	**126,719**	**125,991**	**119,960**
% of revenues	**8.6%**	**8%**	**8.7%**	**8.1%**	**8.7%**
Financial expenses, net	20,098	19,833	25,382	19,378	19,298
Profit before taxes on income	117,850	111,647	101,337	106,613	100,662
Taxes on income	28,733	27,311	25,054	26,030	26,679
Net income	**89,117**	**84,336**	**76,283**	**80,583**	**73,983**
% of revenues	**5.6%**	**5.1%**	**5.3%**	**5.2%**	**5.4%**
Other comprehensive income (after the effect of tax):					
Adjustments for translation of financial statements	(15,319)	(11,715)	(30,474)	6,540	(9,329)
Remeasurement of defined benefit plans	2,781	1,026	454	1,335	799
Change in fair value of instruments used in cash flow hedging	506	3,233	(1,450)	(279)	128
Total comprehensive income	**77,085**	**76,880**	**44,813**	**88,179**	**65,581**
Net income attributable to:					
Company shareholders	80,811	77,973	72,918	75,579	69,885
Non-controlling interests	8,306	6,363	3,365	5,004	4,098
Net income	**89,117**	**84,336**	**76,283**	**80,583**	**73,983**
Total comprehensive income attributable to:					
Company shareholders	68,836	70,550	41,777	83,146	61,497
Non-controlling interests	8,249	6,330	3,036	5,033	4,084
Total comprehensive income	**77,085**	**76,880**	**44,813**	**88,179**	**65,581**

1.2.4. Summary of Consolidated Income Statement Results by Operating Segments for 2025 vs. 2024 and Q4 2025 vs. Q4 2024 (NIS thousands)

	For the year ended	For the year ended	Change in %	For the three months ended	For the three months ended	Change in %
	31.12.2025	31.12.2024		31.12.2025	31.12.2024	
Revenues according to operating segment:						
IT Solutions and Services, Consulting, and Management in Israel (1)	3,821,242	3,337,267	14.5%	991,820	819,026	21.1%
IT Solutions and Services in the US (2)	458,646	460,939	(0.5%)	116,699	112,350	3.9%
Marketing and Support of Software Products	440,382	456,765	(3.6%)	84,892	118,819	(28.6%)
Cloud and Computing Infrastructures	1,645,349	1,515,931	8.5%	419,886	385,920	8.8%
Inter-Segment adjustments	(126,679)	(191,364)		(13,546)	(61,832)	
Total revenues	**6,238,940**	**5,579,538**	**11.8%**	**1,599,751**	**1,374,283**	**16.4%**
Operating income:						
IT Solutions and Services, Consulting, and Management in Israel (1)	291,476	250,113	16.5%	73,573	65,439	12.4%
IT Solutions and Services in the US (2)	69,376	66,865	3.8%	16,136	16,466	(2%)
Marketing and Support of Software Products	55,107	45,364	21.5%	24,876	20,012	24.3%
Cloud and Computing Infrastructures	125,813	106,405	18.2%	31,927	27,980	14.1%
Inter-Segment adjustments	(19,634)	(18,673)		(8,564)	(9,937)	
Operating income	**522,138**	**450,074**	**16%**	**137,948**	**119,960**	**15%**

(1) Includes immaterial operations in Europe

(2) Includes immaterial operations in Canada

	For the year ended 31.12.25 - percentage	For the year ended 31.12.24 - percentage	For the three months ended 31.12.25 - percentage	For the three months ended 31.12.24 - percentage
Operating income margin				
IT Solutions and Services, Consulting, and Management in Israel (1)	7.6%	7.5%	7.4%	8%
IT Solutions and Services in the US (2)	15.1%	14.5%	13.8%	14.7%
Marketing and Support of Software Products	12.5%	9.9%	29.3%	16.8%
Cloud and Computing Infrastructures	7.6%	7%	7.6%	7.3%
Operating income margin percentages	**8.4%**	**8.1%**	**8.6%**	**8.7%**

	For the year ended 31.12.25 - percentage	For the year ended 31.12.24 - percentage	For the three months ended 31.12.25 - percentage	For the three months ended 31.12.24 - percentage
Revenues according to operating segment				
IT Solutions and Services, Consulting, and Management in Israel (1)	60.1%	57.8%	61.5%	57%
IT Solutions and Services in the US (2)	7.2%	8%	7.2%	7.8%
Marketing and Support of Software Products	6.9%	7.9%	5.3%	8.3%
Cloud and Computing Infrastructures	25.8%	26.3%	26%	26.9%
Total revenues in percentages	**100%**	**100%**	**100%**	**100%**

	For the Year Ended 31.12.25 - percentage	For the Year Ended 31.12.24 - percentage	For the three months ended 31.12.25 - percentage	For the three months ended 31.12.24 - percentage
Contribution to operating income according to operating segments				
IT Solutions and Services, Consulting, and Management in Israel (1)	53.8%	53.4%	50.2%	50.4%
IT Solutions and Services in the US (2)	12.8%	14.3%	11%	12.7%
Marketing and Support of Software Products	10.2%	9.7%	17%	15.4%
Cloud and Computing Infrastructures	23.2%	22.6%	21.8%	21.5%
Total contribution in percentages	**100%**	**100%**	**100%**	**100%**

(1) Includes immaterial operations in Europe

(2) Includes immaterial operations in Canada

	For the Year Ended	For the Year Ended	Change in %	For the three months ended	For the three months ended	Change in %
	31.12.25	31.12.24		31.12.25	31.12.24	
Geographic information						
Revenues						
Revenues from Israel	5,793,367	5,215,701	11.1%	1,460,240	1,301,348	12.2%
Revenues from the United States	458,646	460,939	(0.5%)	116,699	112,350	3.9%
Revenues from Europe	113,606	94,262	20.5%	36,358	22,417	62.2%
Inter-segmental adjustments	(126,679)	(191,364)		(13,546)	(61,832)	
Total revenues	**6,238,940**	**5,579,538**	**11.8%**	**1,599,751**	**1,374,283**	**16.4%**
Operating income						
Operating income from Israel	463,501	393,752	17.7%	127,394	111,445	14.3%
Operating income from the US	69,376	66,865	3.8%	16,136	16,466	(2%)
Operating income from Europe	8,895	8,130	9.4%	2,982	1,986	50.2%
Inter-segmental adjustment	(19,634)	(18,673)		(8,564)	(9,937)	
Total operating income	**522,138**	**450,074**	**16%**	**137,948**	**119,960**	**15%**

	For the year ended	For the year ended	For the three months ended	For the three months ended
	31.12.25 - percentage	31.12.24 - percentage	31.12.25 - percentage	31.12.24 - percentage
Geographical revenue rate				
Revenues from Israel	91%	90.4%	90.5%	90.6%
Revenues from the United States	7.2%	8%	7.2%	7.8%
Revenues from Europe	1.8%	1.6%	2.3%	1.6%
Total revenues in percentages	**100%**	**100%**	**100%**	**100%**
Geographical operating income margin				
Operating income margin from Israel	8%	7.5%	8.7%	8.6%
Operating income margin from the US	15.1%	14.5%	13.8%	14.7%
Operating income margin from Europe	7.8%	8.6%	8.2%	8.9%
Operating income percentages	**8.4%**	**8.1%**	**8.6%**	**8.7%**
Rate of geographical contribution to operating income				
Operating income from Israel	85.6%	84%	87%	85.8%
Operating income from the US	12.8%	14.3%	11%	12.7%
Operating income from Europe	1.6%	1.7%	2%	1.5%
Total contribution in percentages	**100%**	**100%**	**100%**	**100%**

1.2.5. Analysis of results of operations according to segment for 2025 vs. 2024

IT Solutions and Services, Consulting, and Management in Israel

Revenues

Segmental revenues in 2025 amounted to NIS 3,821.2 million, compared with NIS 3,337.3 million in 2024, an increase of about 14.5%.

Segmental revenues in the quarter amounted to NIS 991.8 million, compared with NIS 819 million in the corresponding quarter, an increase of about 21.1%.

Operating Income

The segment's operating income in 2025 amounted to NIS 291.5 million (approximately 7.6% of segmental revenues), compared with NIS 250.1 million in 2024 (approximately 7.5% of segmental revenues), an increase of 16.5%.

The segment's operating income in the quarter amounted to NIS 73.6 million (approximately 7.4% of segmental revenues), compared with NIS 65.4 million in the corresponding quarter (approximately 8% of segmental revenues), an increase of 12.4%.

The increase in revenues and operating income in 2025 and in the quarter, compared with the corresponding periods, resulted from the growth in the scale of operations and profitability in the segment's business lines, with an emphasis on data and analytics, digital operations, core systems, the defense sector, and the financial sector, as well as from the first-time consolidation of Gav Systems (as of Q1 2025).

The decrease in the operating profit margin in the quarter, compared with the corresponding quarter, is mainly attributable to one-time costs related to the Magic transaction.

IT Solutions and Services in the US

Segment Results (USD millions)

In order to offset the external effects of fluctuating exchange rates, see an analysis of the segment results is presented below in US dollars (USD millions):

	For the year ended	For the year ended	Change in %	For the three months ended	For the three months ended	Change in %
	31.12.25	**31.12.24**		**31.12.25**	**31.12.24**	
Revenues	132.9	124.6	6.6%	35.7	30.4	17.4%
Operating Income	20.1	18.1	11.2%	5	4.5	11.5%
Profit margin (%)	15.1%	14.5%		13.9%	14.7%	

The increase in revenues and operating income in US dollars in 2025 and in the quarter, compared with the corresponding periods, resulted from continued growth in the segment's volume of activity and the gradual delivery of new projects secured by the Company. The increase in the profit margin in 2025 compared with the corresponding period is attributable to the increase in volume of activity, without a similar increase in SG&A expenses. The decrease in the profit margin in the quarter compared with the corresponding quarter is primarily attributable to the revenue mix in the quarter. The impact of consolidating Alacer's results for the first time was positive but immaterial.

Segment results (NIS millions)

The improvement in the segment's operating income was partially offset by the depreciation of the US dollar against the shekel (with the average USD/NIS exchange rate decreasing by approximately 6.7% and 12.1%, respectively), as detailed below:

Revenues

Segmental revenues in 2025 amounted to NIS 458.6 million, compared with NIS 460.9 million in 2024, a decrease of 0.5%.

Segmental revenues in the quarter amounted to NIS 116.7 million, compared with NIS 112.4 million in the corresponding quarter, an increase of 3.9%.

Operating income

The segment's operating income in 2025 amounted to NIS 69.4 million (approximately 15.1% of segmental revenues), compared with NIS 66.9 million (approximately 14.5% of segmental revenues) in 2024, an increase of 3.8%.

The segment's operating income in the quarter amounted to NIS 16.1 million (approximately 13.8% of segmental revenues), compared with NIS 16.5 million (approximately 14.7% of segmental revenues) in the corresponding quarter, a decrease of 2%.

Marketing and Support of Software Products

Revenues

Segmental revenues in 2025 amounted to NIS 440.4 million, compared with NIS 456.8 million in 2024, a decrease of 3.6%.
The segment's revenues in the quarter amounted to NIS 84.9 million, compared with NIS 118.8 million in the corresponding quarter, a decrease of 28.6%.

Operating income

The segment's operating income in 2025 amounted to NIS 55.1 million (approximately 12.5% of segmental revenues), compared with NIS 45.4 million (approximately 9.9% of segmental revenues) in 2024, an increase of 21.5%.

The segment's operating income in the quarter amounted to NIS 24.9 million (approximately 29.3% of segmental revenues), compared with NIS 20 million (approximately 16.8% of segmental revenues) in the corresponding quarter, an increase of 24.3%.

The decrease in revenues alongside the impressive increase in operating income and its margin in 2025 and in the fourth quarter, compared with the corresponding periods, is attributable to changes in the transaction mix.
In general, in this segment, distribution transactions in which the Company engages (such as the Company's activity in the distribution of software products and communication equipment in the AI field) have high revenue turnover and low profit margins compared with Reseller transactions, which have relatively high profit margins. Accordingly, there is volatility in this segment, in revenues and profit margins, depending on the volume of distribution transactions in the period out of the total revenue mix of the segment. The growth in the segment's results

was partially offset by the depreciation of the USD (as most of the revenues and expenses in software product sales transactions are denominated in USD).

Cloud and Computing Infrastructures

Revenues

Segmental revenues in 2025 amounted to NIS 1,645.3 million, compared with NIS 1,515.9 million in 2024, an increase of 8.5%.

Segmental revenues in the quarter amounted to NIS 419.9 million, compared with NIS 385.9 million in the corresponding quarter, an increase of 8.8%.

Operating income

The operating income in this segment in 2025 amounted to NIS 125.8 million (approximately 7.6% of segmental revenues), compared with NIS 106.4 million (approximately 7% of segmental revenues) in 2024, an increase of 18.2%.

The segment's operating income in the quarter amounted to NIS 31.9 million (approximately 7.6% of segmental revenues), compared with NIS 28 million (approximately 7.3% of segmental revenues) in the corresponding quarter, an increase of approximately 14.1%.

The increase in revenues and operating income and the improvement in the operating income margin in 2025 and in the quarter, compared with the corresponding periods is due to an increase in the volumes of operations in the segment, with an emphasis on sales, marketing, and integration of computing systems, and marketing, installation, and support of advanced technology solutions (the subsidiaries RDT and Ortec).

The aforementioned growth was partially offset by the depreciation of the USD (mainly in connection with hardware and cloud activities, for which most of the revenues and expenses are denominated in USD).

1.2.6. Commitments and special events

Date of distribution	Dividend per share (agorot)	Amount of dividend (NIS millions)
30.12.2025	91	57.9
20.10.2025	85	54.1
15.07.2025	89	56.6
08.04.2025	82	52.2
Total for 2025	347	220.8
Total for 2024	366	232.49

The Company's dividend policy is a distribution of up to 75% of the net annual income attributable to shareholders. The dividend will be distributed once per quarter subject to the distribution requirements set by applicable law, which are examined by the Board of Directors at any relevant time.

In the last five years (2021–2025), the Company distributed a total of **NIS 1,011 million** in dividends to its shareholders.

Issuer Rating Confirmation

On March 24, 2025, Midroog confirmed an Aa3 issuer and bonds credit rating with a stable outlook and an Aa3 rating with a stable outlook for the Company's (Series B) bonds and a rating of P-1.il for commercial securities.

On January 25, 2026, Midroog confirmed an issuer rating of Aa3.il with stable outlook and a rating for the convertible bonds (Series 2) of Aa3.il with stable outlook.

Purchase of directors' and officers' liability insurance policy

On September 29, 2025, the Company's Compensation Committee approved that the renewal of the engagement for liability insurance of directors and officers in the Company (including the CEO) and in the Company's subsidiaries and investees, as they may be from time to time, including the SIDE A DIC D&O policy, commencing October 1, 2025, complies with the criteria established at the Company's general meeting of December 2024 (for further details regarding the general meeting, see the immediate report dated December 23, 2024 (Ref.: 2024-01-626578)).

The insurance coverage is subject to a liability limit of USD 35 million per claim and per period, and the coverage under the SIDE A DIC D&O policy is subject to a liability limit of USD 10 million. Under the policy, all officers of the Company and its subsidiaries and investees, including directors, are insured under identical terms, past or present. None of the Company's officers is a controlling shareholder.

1.3. Financial position, liquidity, and financing sources (NIS thousands)

Analysis of financial position as of December 31, 2025 and December 31, 2024

Balances of liquid assets and financial indices

	31.12.2025	31.12.2024	Change
Cash and cash equivalents	902,938	668,495	234,443
Short-term credit	(458,989)	(470,006)	11,017
Long-term credit	(294,041)	(315,098)	21,057
Net cash (financial net debt)	149,908	(116,609)	266,517
Total balance sheet	4,606,771	4,479,636	127,135
Financial net debt (net cash) to balance sheet ratio	(3.3%)	2.6%	
Current ratio	1.1	1.1	
Retained earnings	800,723	708,634	92,089
Total equity attributable to shareholders	1,136,467	1,088,733	47,734
Ratio of shareholder equity to balance sheet	24.7%	24.3%	

Summary of consolidated statements of financial position (NIS thousands)

	31.12.2025	31.12.2024	Change
Assets:			
Cash and cash equivalents	902,938	668,495	234,443
Trade receivables and unbilled receivables, net	1,798,907	1,926,190	(127,283)
Inventories	86,570	101,861	(15,291)
Goodwill	978,318	955,988	22,330
Intangible assets, net	89,274	89,893	(619)
Right-of-use assets	358,894	369,935	(11,041)
All others (property, plant and equipment, deferred taxes, etc.)	391,870	367,274	24,596
Total assets	**4,606,771**	**4,479,636**	**127,135**
Liabilities:			
Credit from banks and other credit providers	753,030	785,079	(32,049)
Trade payables	1,017,501	926,753	90,748
Deferred revenues	447,179	427,786	19,393
Leasing liabilities	369,335	372,809	(3,474)
Liabilities for options to holders of non-controlling interests and contingent liabilities for business combinations	147,736	125,687	22,049
All others	657,397	697,195	(39,798)
Total liabilities	**3,392,178**	**3,335,309**	**56,869**

The increase in total assets was affected by the increase in cash and cash equivalents and growth in goodwill (due to the consolidation of Gav Systems in January 2025), which was partially offset by a decrease in trade receivables (net collection of customer receivables, including through a factoring transaction executed in the fourth quarter) and in inventories.

The increase in total liabilities is primarily attributable to the increase in trade payables, which was partially offset by a decrease in credit from banking institutions (continued net repayment of financial liabilities) and a decrease in other payables (presented above under "All others").

Condensed statements of cash flow (NIS thousands)

	For the year ended 31.12.2025	For the year ended 31.12.2024	For the three months ended 31.12.2025	For the three months ended 31.12.2024
Cash flows from operating activities				
Net income	330,319	288,224	89,117	73,983
Adjustments to profit and loss items	386,710	341,874	94,647	96,213
Changes in assets and liabilities items	244,626	112,577	405,901	186,646
Cash paid and received for interest and taxes	(126,382)	(123,454)	(23,130)	(21,817)
Net cash provided by operating activities	**835,273**	**619,221**	**566,535**	**335,025**
Cash flow from investment activities				
Acquisition of property, plant, and equipment	(34,471)	(41,541)	(9,245)	(7,512)
Acquisition of companies and operations	(65,362)	(17,321)	-	(17,321)
Others (net)	1,282	1,936	98	244
Net cash used in investment activities	**(98,551)**	**(56,926)**	**(9,147)**	**(24,589)**
Cash flows from financing activities				
Repayment of credit, net	(125,105)	(203,022)	(20,016)	(49,478)
Receipt from the issuing of commercial securities	-	100,000	-	-
Proceeds from Long-Term Loan	148,500	-	28,500	-
Dividends paid	(269,065)	(184,214)	(111,999)	(52,088)
Payment of leasing liabilities	(128,669)	(129,435)	(32,653)	(33,349)
Repayment of liabilities in respect of business combinations	(3,418)	(11,561)	-	(11,000)
Distribution of dividends to non-controlling interests and repayment	(20,876)	(30,271)	(3,337)	(6,674)
Liabilities for options to non-controlling interests	(1,827)	(1,124)	(697)	-
Repayment of bonds	(67,918)	(67,918)	-	-
Acquisition of non-controlling interests	-	(3,899)	-	-
Net cash used in financing activities	**(468,378)**	**(531,444)**	**(140,202)**	**(152,589)**

Cash flows from operating activities

In 2025, the Company recorded a record positive cash flow from operating activities amounted to NIS 835.3 million, compared with a positive cash flow from operating activities of NIS 619.2 million in the corresponding period, an increase of NIS 216.1 million.

During the last 5 years (2021–2025), the Company has generated positive cash flow from operating activities in the aggregate amount of NIS 2.6 billion.

Cash flows used in investment activities

Cash flow used in investing activities in 2025 amounted to NIS 98.6 million. This compares to cash flow used in investing activities of NIS 56.9 million in the corresponding period. Most of the difference during the period is attributed to the sum of NIS 65.4 million paid in the period for the acquisition of Gav Systems.

Cash flows used in financing activities

Cash flow used in financing activities in 2025 amounted to NIS 468.4 million, compared with NIS 531.4 million in the corresponding period.

Average short-term credit* (NIS thousands)

	31.12.2025	31.12.2024
Trade receivables	1,907,957	1,766,431
Trade payables	888,310	713,142

* Quarterly average of the last 12 months as at the report date

The Company finances its ongoing operations (including the gap between average customer credit and average supplier credit) using cashflow from operating activities, credit facilities, shareholder's equity, and from outstanding financial liabilities.

Disclosure regarding statement of cash flow forecast pursuant to Article 10(B)(1)(d) of the Israel Securities Regulations (Periodic and Immediate Reports):

As of December 31, 2025, in Company's separate financial information there present a negative working capital. In view of this, the Company's Board of Directors has reviewed the Company's financial indicators, its financial covenants, and the Company's existing and expected cash sources and requirements. Further to said review, the Company's Board of Directors determined that it does not indicate a liquidity problem. In light of the above, the Company is not required to publish a statement of cash flow forecast.

Summary of Statements of Changes in Equity (NIS thousands)

	31.12.2025	31.12.2024
Opening balance	1,144,327	1,107,472
Net income	330,319	288,224
Dividends declared	(220,788)	(232,491)
Dividends to non-controlling interests	(11,658)	(13,133)
Translation differences	(48,958)	(1,144)
Share based payment	8,213	18,026
Transactions with Non-controlling interests	7,542	(26,299)
Non-controlling interests created in a company that was consolidated for the first time	-	950
Actuarial earnings in respect of a benefit plan	5,596	2,722
Closing balance	**1,214,593**	**1,144,327**

2. Pro-Forma Financial Information (Unaudited) – Magic Acquisition Transaction

a. General

As detailed in Section 1.1.3(a) above, on February 24, 2026, subsequent to the reporting date, the Company completed the acquisition of Magic, whereby the Company acquired the entire issued and paid-up share capital of Magic in consideration for the allotment of Matrix shares.

In accordance with generally accepted accounting principles, the transaction is considered a business combination under common control (Formula Systems (1985) Ltd., the Company's controlling shareholder, is also the controlling shareholder of Magic) and will therefore be accounted for under the pooling of interests method (in lieu of the acquisition method). Namely, the Company will include in its financial statements the assets and liabilities of Magic at their carrying amounts as included in the controlling shareholder's financial statements, and no purchase accounting adjustments will arise. In addition, at the date of first-time consolidation, comparative figures will be presented as if Magic had been consolidated since it has always been under common control.

In light of the above, and as of the reporting date the Company does not yet consolidate Magic's financial statements, the following is presented as additional information – pro forma financial information – the consolidated results of the Company (Matrix and Magic) for 2025–2024, as if Magic's results had been consolidated in the Company's financial statements since its acquisition by the controlling shareholder, and excluding various expenses recognized in Magic's financial statements in connection with the merger transaction (see below).

b. Pro-Forma Financial Information (Unaudited):

	For the year ended	For the year ended	Difference	Change in %
	31.12.2025	31.12.2024		
Revenues	8,386,959	7,601,943	785,016	10.3%
Cost of revenues	6,860,060	6,181,969	678,091	11%
Gross profit	**1,526,899**	**1,419,974**	**106,925**	**7.5%**
Gross profit %	**18.2%**	**18.7%**		
R&D expenses	44,597	49,243	(4,646)	(9.4%)
Selling and marketing expenses	384,773	351,988	32,785	9.3%
General and administrative expenses	348,122	342,110	6,012	1.8%
Operating income	**749,407**	**676,633**	**72,775**	**10.8%**
Operating Income %	**8.9%**	**8.9%**		
Financial Expenses	97,640	82,371	15,269	18.5%
Income before taxes on income	**651,768**	**594,262**	**57,506**	**9.7%**
Taxes on income	152,814	136,888	15,926	11.6%
Company's share of losses of a company accounted for at equity	1,005	1,391	(386)	(27.7%)
Net Income	**497,949**	**455,983**	**41,966**	**9.2%**
Net Income %	**5.9%**	**6%**		
Income attributable to equity holders of the company (5)	444,167	412,492	31,675	7.7%
Non-controlling interests in Income	53,781	43,491	10,291	23.7%
EBITDA	**1,021,547**	**936,679**	**84,868**	**9.1%**
EBITDA %	**12.2%**	**12.3%**		

c. Key Assumptions:

(1) The financial results are presented as if Magic's results had been consolidated in the Company's financial statements since its most recent acquisition by the controlling shareholder. This is similar to the manner of presentation in the consolidated financial statements following the date of completion of the transaction (from Q1 2026) under the As-Pooling method, as detailed in Note 2(l) to the Consolidated Financial Statements.

(2) The results are adjusted to exclude costs of NIS 20 million that were recognized in Magic's results (under G&A expenses) in connection with the merger transaction, including in respect of adjustments to accounting policies and estimates to Matrix's policy

(3) The results are after adjustments of accounting policy in the treatment of PUT options for minority holders in subsidiaries
(4) Magic's financial results have been translated into NIS based on the average exchange rate for the relevant period (average USD/NIS exchange rate: 2025 – 3.452; 2024 – 3.6997).
(5) Profit attributable to shareholders is presented as if Magic had been wholly held (100%) by Matrix since inception.
(6) As noted, the financial data is unaudited.

3. Exposure to market risks and their management

With regard to the market risks to which the Company is exposed, as well as with regard to the Company's policy in managing market risks - see note 20 to the financial statements.

4. Corporate Governance Aspects

4.1. Donations Policy

The Company works for the community through cash donations, donations of computer equipment and development of systems, training courses, participation in expenses, and use of infrastructure .

In addition, the Company has set itself the goal, in the field of social responsibility, to create a channel of influence with which the Company will be identified, and which will include long-term projects, some of which will be an opportunity for partnership and involvement of employees .

The Company does not have a fixed policy regarding donations, each request for a donation is considered individually and in accordance with the Company's donation policy. The Company has no commitment to provide donations in the future.

In 2025, the Company donated NIS 589.8 thousand in funds.

4.2. Directors with Accounting and Financial Expertise

See Article 26 of Part D of the Periodic Report (Additional Details About the Corporation) and the Corporate Governance Questionnaire attached to Part D of the Periodic Report.

4.3. Independent Directors

See Article 26 of Part D of the Periodic Report (Additional Details About the Corporation) and the Corporate Governance Questionnaire attached to Part D of the Periodic Report.

4.4. Disclosure Regarding the Internal Auditor

1) Auditor: Israel Gvirtz, CPA

2) Date of Appointment: January 29, 2023

The internal auditor was appointed based on the recommendation of the Audit Committee and the resolution of the Company's Board of Directors, based on the auditor's qualifications as detailed below.

3) Auditor's Qualifications

The internal auditor is a certified public accountant, a partner at Fahn Kanne Control Management Ltd. (Grant Thornton Israel), serving as internal auditor in various organizations and a member of the Institute of Internal Auditors in Israel and an internal auditor of a sister company in the group. The internal auditor does not hold securities of the Company or holdings in any other entity related to it. Since his appointment, the internal auditor has not had and does not have any business relationships whatsoever with the audited corporation or with any entity related to it, other than serving as internal auditor of the Company's subsidiaries. The internal auditor is engaged by the Company on an outsourced basis.

4) Organizational Supervisor of the Auditor

The Company's CEO was appointed as the organizational supervisor of the auditor.

5) Audit Plan

The annual work plan is submitted by the internal auditor and approved by the Company's CEO and the Audit Committee.

The annual audit plan is derived from the multi-year audit plan. The multi-year audit plan was derived from the risk survey conducted by the auditor in the Company.

The Company's CEO and the Audit Committee are involved in determining the work plans, and the auditor has discretion to deviate from them in an immaterial manner. To the extent there is a deviation other than as stated, the matter is brought for discussion before the Audit Committee.

The annual planning of audit tasks, setting of priorities and audit frequency are influenced by the following factors:

- The managerial, operational and/or economic significance of the subject from the perspective of internal control and achievement of organizational goals;
- The risk exposure of activities, subjects and operations based on the risk survey conducted by the auditor;
- The probability of the existence of operational, managerial and administrative deficiencies;
- Findings from previous audits;
- Matters in which an audit is requested by the governing bodies and/or parties outside the organization (auditors);
- Matters required by law, by internal or external procedural directives;
- The existence of other relevant controls in the organization and information available on their effectiveness and/or weaknesses;
- The need to maintain cyclicality.

The audit plan also addresses material investee companies as well as investee companies abroad.

6) Scope of Engagement

	31.12.2025	31.12.2024
Remuneration (NIS thousands)	291	378

According to the Company's Board of Directors, the scope of the Internal Auditor's work and the 2025 work plan are reasonable under the circumstances and have the potential to fulfill the goals of the Company's internal audit.

7) Professional Standards

To the best of the Company's knowledge, the internal auditor conducts the internal audit in accordance with the generally accepted professional standards as stated in Section 4(b) of the Internal Audit Law, 1992.

The internal auditor was given free access as stated in Section 9 of the Internal Audit Law, 1992, including continuous and direct access to the Corporation's information systems, including financial data and audit at US subsidiaries.

In order to determine that the auditor met the requirements set forth above, the Board of Directors relied on the internal auditor's reports regarding his compliance with the professional standards.

8) The Board of Directors' assessment of the Internal Auditor's activities – remuneration

For details regarding the method and scope of internal compensation, see Subsection 6 above.

To the best of the Company's knowledge, the nature, continuity of activity and work plan of the internal auditor are reasonable. Under the circumstances, they are sufficient to achieve the objectives of the internal audit in the Corporation.

In the opinion of the Board of Directors, the compensation of the internal auditor does not affect the exercise of his professional judgment, inter alia in view of the Board of Directors' impression of the manner in which he performs the internal audit work in the Company, and the level of detail, accuracy and depth of the audit findings reports submitted by him to date, as well as in view of the fact that the auditor has additional clients and activities and is not dependent on compensation from the Company.

4.5. Disclosure Regarding External Auditors' Fees

The Corporation's auditors: BDO Israel. For details regarding the replacement of the external auditors, see Section 1.1.4 above.

Below is a breakdown of fees paid to the external auditors (NIS thousands):

	2025	2024
Remuneration for audit services, related services, and consulting and tax services related to the audit	3,470	3,380

The auditor's fee was approved by the Company's Board of Directors.

4.6. Activities of the Board of Directors and Its Committees

1) Internal Enforcement Program

The Company has an internal enforcement program in the area of securities law. The program was formulated based on the Company's unique characteristics and operations and in accordance with the criteria for an effective enforcement program published by the Israel Securities Authority, and it is regularly reviewed and updated in accordance with changes in law and in adaptation to the Company's characteristics, needs and operations.
The Company's Board of Directors appointed the Company's CFO, Mr. Nevo Brenner, as the officer in charge of internal enforcement in the Company, including to ensure the efficient and effective implementation of the program, and resolved that the Company's Audit Committee shall serve as the designated Board committee for compliance and enforcement matters. As of the report date, the enforcement program includes nine procedures: enforcement framework procedure, Audit Committee procedure, Financial Statements Review Committee procedure, reporting procedure, procedure for appointment of officers and approval of their compensation, procedure for entering into transactions with interested parties and avoidance of conflicts of interest and personal interest, prohibition of insider trading procedure, communication with the ISA and market participants procedure, and procedure for handling employee complaints regarding deficiencies.
The purpose of the procedures is to ensure the implementation of legal requirements and the conduct of periodic control processes on the procedures, while regulating work processes as part of implementing an effective enforcement program in the Company.

2) For further details regarding the Board of Directors and its committees and regarding additional enforcement programs in the Company – see the Corporate Governance Questionnaire attached as Part D of the Periodic Report.

5. Disclosure Requirements in Connection with the Corporation's Financial Reporting

Goodwill

The goodwill balance as included in the Company's financial statements is material to the Company's total assets. The goodwill represents the excess of the investment cost over the book value of subsidiaries acquired by the Group.

In accordance with generally accepted accounting principles, the Company annually examines the need to impair the goodwill balance. Beyond the annual impairment test, the Company also examines during the year whether there are indications of impairment.

March 12, 2026

Guy Bernstein Chair of the Board of Directors	Moti Gutman CEO

Appendix A – Details regarding the Series B Bonds issued by the Company and held by the public at the report date

1) The following are details regarding the bonds Series B and the convertible bonds Series 2 – NIS thousands

Disclosure item	Details regarding the Bonds (Series B)	Details egarding the Convertible Bonds (Series 2)
Date of issue	Initial issuance on September 18, 2022; series expansion on December 4	February 4, 2026
Total par value on the date of issue (1)	295,249 in the initial issuance and 180,366 in the series expansion	297,028
Par value balance as of December 31, 2025	305,820	-
Par value balance on the reporting date, revalued according to linkage terms	The series is not linked	The series is not linked
Value in the financial statements as of December 31, 2025 (amortized cost according to the effective interest method)	308,784	-
Accrued interest as of December 31, 2025	5,635	-
Market capitalization as of September 31, 2025	310,499	-
Type of interest	Fixed annual interest rate of 4.1%; It is noted that the trust deed for the bonds (Series B), attached to the shelf offering report (the 'Trust Deed'), provides for mechanisms for the adjustment of the annual interest rate on the bonds (Series B) in the event of non-compliance with financial covenants or a downgrade in the rating of the bonds (Series B). Under the aforementioned adjustment mechanisms (on a cumulative basis), the total rate of interest supplements shall not exceed 1%. For details, see Sections 5.8 and 5.9 of the Trust Deed.	Fixed annual interest rate of 0.5%; It is noted that the trust deed for the convertible bonds (Series 2), attached to the shelf offering report (the 'Trust Deed'), provides for mechanisms for the adjustment of the annual interest rate on the convertible bonds (Series 2) in the event of non-compliance with financial covenants or a downgrade in the rating of the convertible bonds (Series 2). Under the aforementioned adjustment mechanisms (on a cumulative basis), the total rate of interest supplements shall not exceed 1%. For details, see Sections 5.8 and 5.9 of the Trust Deed.
Dates for payment of principal	The principal of the bonds (Series B) shall be repaid in fourteen (14) semi-annual installments, of which thirteen equal installments (each installment in the amount of	The principal of the convertible bonds (Series 2) shall be repaid in a single payment, to be made on February 1, 2031.

Disclosure item	Details regarding the Bonds (Series B)	Details egarding the Convertible Bonds (Series 2)
	7.14% of the principal) and a final installment of 7.18%, commencing August 1, 2023 through February 1, 2030.	
Interest payment dates	Interest on the bonds (Series B) shall be paid in semi-annual installments, payable on February 1 and August 1, commencing February 1, 2023 through February 1, 2030.	Interest on the convertible bonds (Series 2) shall be paid in semi-annual installments, payable on February 1 and August 1, commencing August 1, 2026 through February 1, 2031.
Principal and interest linkage basis	The bonds (Series B) are not linked (principal and interest) to any linkage basis	The convertible bonds (Series 2) are not linked (principal and interest) to any linkage basis
Is there a right of conversion?	No	Yes
Conversion right	-	The convertible bonds (Series 2) are convertible into ordinary registered shares of NIS 1 par value each of the Company, on any trading day from the date of their listing for trading on the Stock Exchange through January 22, 2031. Each NIS 180 nominal value of the bonds shall be convertible into one share of the Company. For details, see Section 5 of the Trust Deed.
Early repayment or forced conversion of bonds	The Company shall be entitled, at its initiative, to call the bonds (Series B) for early redemption, all in accordance with the provisions of Section 6.2 of the trust deed.	The Company is not entitled to effect early redemption at the Company's initiative in accordance with the provisions of Section 6.2 of the trust deed.
Guarantee for payment of the Company's obligations pursuant to the trust deed	None	None
As of the report date, is the Company in compliance with all of the conditions and undertakings according to the trust deed?	Yes	Not relevant (the bonds were issued after the report date)
As of the report date and during the reporting period, were the conditions met that constitute grounds for calling the bonds due immediately?	No	Not relevant (the bonds were issued after the report date)
Is the Company required by the trustee to perform various actions, including calling meetings of bonds holders?	No	Not relevant (the bonds were issued after the report date)
Details of guarantees/liens	None	None

2) Details regarding the trustee for the Series B Bonds

Trustee name	Reznik Paz Nevo Trusts Ltd.
Bonds administrator	Adv. Hagar Shaul
Contact information	14 Yad Harutzim St., Tel Aviv (Tel: 03-6389200, Fax: 03-6389222) Email: hagar@rpn.co.il

3) Details on the rating of the Series B bonds and the Series 2 convertible bonds

	Bonds (Series B)	Convertible bonds (Series 2)
Name of rating company as of the report date	Midroog Ltd. ("Midroog")	Midroog
Rating at the date of issue:	Aa3 with Stable Outlook	Aa3 with Stable Outlook
Rating on the report date	No change For the updated rating report, see the immediate report published by the Company on March 24, 2025 (Ref. No. 2025-01-019742)	For the rating report, see the immediate report published by Midroog on March 25, 2026

(1) On September 14, 2022, the Company published a shelf offering report (ref.: 2022-01-117502) (the "offer report") in which the Company issued in an initial public offering a total of NIS 295,249 thousand par value of Series B Company bonds. In addition, on December 4, 2022, the Company issued Series B bonds by way of an expansion of the series, for a net amount of NIS 178,000 thousand.

4) Financial covenants – Series B bonds and Series 2 convertible bonds

Below are the various financial covenants to which the Company has committed to bondholders, and the results of the calculation thereof as of December 31, 2025, as follows:

Financial covenant under the bonds (Series B) (*)	Financial covenant under the convertible bonds (Series 2) (**)	Actual covenant as of December 31, 2025
Ratio of consolidated net financial debt (as defined in the trust deed) to total balance sheet must not exceed 45%	Consolidated net financial debt (as defined in the trust deed) to total balance sheet ratio shall not exceed 45%	(3.3%)
Ratio of consolidated net financial debt (as defined in the trust deed) to adjusted EBITDA (as defined in the trust deed) shall not exceed 5	Consolidated net financial debt (as defined in the trust deed) to adjusted EBITDA (as defined in the trust deed) ratio shall not exceed 5	(0.21)
Shareholder equity (as defined in the trust deed) is minimal, must be no less than NIS 275,000 thousand	Minimum equity (as defined in the trust deed) shall not be less than NIS 400,000 thousand	1,214,593

(*) Bonds (Series B) – outstanding par value of the security as of December 31, 2025 – NIS 305,820,445; outstanding par value of the security near the date of the Report – NIS 271,861,534.

(**) Convertible bonds (Series 2) – outstanding nominal value of the security close to the report date – NIS 297,028,000 (issued after the report date).

CHAPTER C

Consolidated financial statements for the year ended December 31, 2025

The information contained in these financial statements published by the Company constitutes a convenience translation of the financial statements published by the Company. The Hebrew version was submitted by the Company to the relevant authorities pursuant to Israeli law, and represents the binding version and the only one having legal effect. This translation was prepared for convenience purposes only.

Table Of Contents

Independent Auditor's Report to the Shareholders of Matrix IT Ltd.	4
Independent Auditor's Report	6
to the Shareholders of Matrix I.T. Ltd.	6
Consolidated Statements of Financial Position	9
Consolidated Statements of Financial Position	10
Consolidated Statements of Profit and Loss and Other Comprehensive Income	11
Consolidated Statements of Changes in Equity	12
Consolidated Statements of Cash Flows	15
Note 1: General	19
Note 2 – Significant Accounting Policies	20
Note 3: Business Combinations	38
Note 4: Cash and Cash Equivalents	40
Note 5: Trade Receivables and Accrued Revenues, Net	40
Note 6: Other Receivables and Debit Balances	41
Note 7: Inventories	41
Note 8: Property, Plant, and Equipment	42
Note 9: Goodwill and Intangible Assets, Net	44
Note 10: Credit from Banks and other credit providers	47
Note 11: Trade Payables	49
Note 12: Other accounts payable	49
Note 13: Leases	49

Note 14: Employee benefit liabilities 51

Note 15: Taxes on Income 54

Note 16: Liens, guarantees, contingent liabilities, and engagements 57

Note 17: Equity 59

Note 18: Share-based payment 62

Note 19: Bonds 64

Note 20: Financial instruments 67

Note 22: Net earnings per share 80

Note 23: Interested parties and related parties 81

Note 24: Operating segments 86

Note 24: Operating segments (cont.) 87

Note 25: Events after the balance sheet date 91

Independent Auditor's Report to the Shareholders of Matrix IT Ltd. Regarding the Audit of Internal Control Components over Financial Reporting pursuant to Regulation 9B(c) of the Israel Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the internal control components over financial reporting of Matrix IT Ltd. and its subsidiaries (collectively: the "Company") as of December 31, 2025. These control components were determined as explained in the following paragraph. The Board of Directors and management of the Company are responsible for maintaining effective internal control over financial reporting and for their assessment of the effectiveness of internal control components over financial reporting included in the accompanying periodic report as of the aforementioned date. Our responsibility is to express an opinion on the internal control components over the financial reporting of the Company based on our audit.

The internal control components over financial reporting audited by us were determined in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "Audit of Internal Control Components over Financial Reporting" (hereinafter: "Auditing Standard (Israel) 911"). These components consist of: (1) entity-level controls, including controls over the financial reporting preparation and closing process and information technology general controls ("ITGCs"); (2) controls over the sales process; (3) controls over the payroll process; (4) controls over the impairment of intangible assets process; (5) controls over the purchase price allocation process (all of the above are collectively referred to hereinafter as: the "Audited Control Components").

We conducted our audit in accordance with Israeli Auditing Standard 911. Pursuant to that standard, we are required to plan our audit and carry it out with the objective of identifying the Audited Control Components and obtaining a reasonable measure of certainty as to whether these control components have been effectively fulfilled in all material aspects. Our audit included obtaining an understanding regarding internal control of financial reporting, identifying the Audited Control Components, assessing the risk that there is a material weakness in the Audited Control Components, as well as examining and assessing the effectiveness of the planning and implementation of those control components based on the assessed risk. Our audit of these control components also included performing such other procedures as we considered necessary under the circumstances. Our audit only addressed the Audited Control Components, as opposed to internal control of all material processes relating to financial reporting, and therefore, our opinion only addresses Audited Control Components. Furthermore, our audit did not address the reciprocal effects between audited and unaudited control components, and therefore, our opinion does not take into account such possible effects. We believe that our audit provides a reasonable basis for our opinion within the context described above.

Due to inherent limitations, internal control of financial reporting, in general, and its components thereof, in particular, may not prevent or detect a misstatement. Similarly, reaching conclusions regarding the future on the basis of any kind of assessment of current effectiveness runs the risk that controls may become unsuitable due to changes in circumstances or because the level of fulfillment of policies or procedures have changed for the worse.

In our opinion, the Company has effectively fulfilled, in all material aspects, the Audited Control Components as of December 31, 2025.

We also audited, in accordance with generally accepted auditing standards in Israel, the Company's consolidated financial statements as of December 31, 2025, and for the year ending on that same date, and our report dated March 12, 2026, included an unqualified opinion on those financial statements.

Tel Aviv,
March 12, 2026

Ziv Haft
Certified Public Accountants

אילת 08-6339911 | מודיעין עילית 08-9744111 | עפולה 04-6401555 | קרית שמונה 04-8983322 | בני ברק 073-7145300 | רחובות 03-6386788 | באר שבע 077-7784100 | חיפה 04-8680600 | ירושלים 02-6546200 | תל אביב 03-6386868

משרד ראשי: בית אמות BDO, דרך מנחם בגין 48, תל אביב, 6618001 דואל: bdo@bdo.co.il בקרו באתר שלנו: www.bdo.co.il

BDO Israel, an Israeli partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms

Independent Auditor's Report
to the Shareholders of Matrix I.T. Ltd.

Opinion

We have audited the consolidated financial statements of Matrix IT Ltd. (hereinafter: the "Company"), which comprise the consolidated statement of financial position as of December 31, 2025, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position as of December 31, 2025 and the consolidated financial performance and consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and with the provisions of the Securities Regulations (Annual Financial Statements), 2010.

Basis for Opinion

We conducted our audit in accordance with generally accepted auditing standards in Israel, including those prescribed by the Auditors' Regulations (Auditor's Mode of Performance), 1973. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated entities in accordance with the applicable laws in Israel regarding independence and prevention of conflicts of interest for auditors in Israel. We have also fulfilled our other ethical responsibilities in accordance with the Accountants Law, 1955, and regulations thereunder. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

The Key audit matters detailed below are those matters that were communicated, or were required to be communicated, to the Board of Directors of the Company and which, in our professional judgment, were of most significance in the audit of the consolidated financial statements for the current period. These matters include, among others, any matter which: (1) relates, or may relate, to accounts or disclosures that are material to the consolidated financial statements, and (2) involved especially challenging, subjective or complex auditor judgment. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. The communication of these matters below does not alter our opinion on the consolidated financial statements as a whole, and we do not provide a separate opinion on these matters or on the items or disclosures to which they relate.

Goodwill Impairment Testing

As described in Notes 2(k) and 9 to the consolidated financial statements, the balance of goodwill in the Company's books amounts to NIS 978,318 thousand as of December 31, 2025. The Company's management reviews impairment of goodwill once per annum on December 31, or more frequently if events or changes in circumstances indicate that there is an impairment.
An examination of the impairment of goodwill is determined by examining the recoverable amount of the cash-generating unit to which the goodwill has been allocated. When the recoverable amount is lower than the balance in the financial statements, the impairment loss that is attributed first to goodwill is recognized.

The process of examining the impairment of the cash-generating unit to which the goodwill has been allocated is based on significant estimates that involve uncertainty and subjective assessments by management and those in charge of corporate governance. Changes in these estimates or assessments are likely to have a material impact on the balance of the goodwill in the financial statements.
The matter of the estimates on which the examination of impairment of goodwill is based, was identified as a key audit matter. An audit of a review of impairment of goodwill requires the auditor's judgment as well as knowledge and experience for an examination of the reasonableness of the assumptions and data used by management in determining the estimate of the recoupable amount of the cash flow yielding units to which the goodwill relates.

Audit procedures performed in response to the key audit matter

Below are the main procedures we performed in connection with this key matter as part of our audit:

1. We obtained an understanding of the processes existing in the Company with respect to the process of examining impairment. We have examined the planning, implementation and operational efficacy of audit relevant controls.
2. An examination of the assessments made by the Group's valuator, including sensitivity analysis.
3. Examination and assessment of the competence, abilities and objectivity of the Group's valuator.
4. Review of the completeness and accuracy of the basic data that were used in the model.
5. An assessment of the reasonableness of the Company's conclusions considering the main assumptions it applied, such as projected cash flows, including growth rates, discount rates, and projected earnings before interest, depreciation, taxes and amortization (EBITDA).

Responsibilities of the Board of Directors and Management for the Consolidated Financial Statements

The Board of Directors and management are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards and with the provisions of the Securities Regulations (Annual Financial Statements), 2010; they are also responsible for such internal control as the Board of Directors and management determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, the Board of Directors and management are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors and management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Israel will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these consolidated financial statements.

As part of an audit performed, in accordance with generally accepted auditing standards in Israel, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and management.
- Conclude on the appropriateness of the Board of Directors' and management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors and management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors and management with a statement that we have complied with relevant ethical requirements regarding our independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated, or required to be communicated, with the Board of Directors and management, we determined those matters that were of most significance in the audit of the consolidated financial statements for the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Cross- reference Paragraph

We have also audited, in accordance with Israeli Auditing Standard 911 of the Institute of Certified Public Accountants in Israel regarding "An Audit of Internal Control Components over Financial Reporting," the internal control components over financial reporting of the Company as of December 31, 2025, and our report dated March 12, 2026 included an unqualified opinion on the effective maintenance of those components.

The engagement partner on the audit resulting in this independent auditor's report is Albert Ascov.

Tel Aviv,
March 12, 2026

Ziv Haft
Certified Public Accountants

Consolidated Statements of Financial Position (NIS thousands)

	Note	December 31 2025	December 31 2024
Current assets			
Cash and cash equivalents	4	902,938	668,495
Trade receivables and unbilled receivables, net	5	1,798,907	1,926,190
Income tax receivable		51,734	53,567
Other accounts receivable	6	132,248	122,273
Inventories	7	86,570	101,861
		2,972,397	2,872,386
Non-current assets			
Other investments and loans	3a	14,512	17,146
Prepaid expenses		46,058	30,203
Right-of-use assets	13	358,894	369,935
Property, plant, and equipment	8	102,958	101,616
Goodwill	9	978,318	955,988
Intangible assets	9	89,274	89,893
Deferred taxes	15d	44,360	42,469
		1,634,374	1,607,250
		4,606,771	4,479,636

The accompanying notes constitute an integral part of the consolidated financial statements.

Consolidated Statements of Financial Position (NIS thousands)

	Note	December 31 2025	December 31 2024
Current liabilities			
Credit from banks and other credit providers	10a, 20	380,392	388,640
Current maturities of bonds	19	78,597	81,341
Current maturities of lease liabilities	13	109,662	115,574
Trade payables	11	1,017,501	926,753
Income tax payable		25,692	21,063
Other accounts payable	12	87,850	133,631
Employees and payroll accruals		507,487	510,995
Liabilities in respect of business combinations	3	8,790	10,244
Liabilities for put options for non-controlling interests	3	72,725	82,308
Deferred revenues		394,680	382,119
		2,683,376	2,652,668
Non-current liabilities			
Loans from banks and other lenders	10b, 20	63,854	19,671
Bonds	19	230,187	295,427
Deferred revenues		52,499	45,667
Lease liabilities	13	259,673	257,235
Deferred taxes	15	24,643	23,871
Liabilities in respect of business combinations	3	10,586	8,371
Liabilities for put options for non-controlling interests	3	55,635	24,764
Employee benefit liabilities	14	11,725	7,635
		708,802	682,641
Equity attributable to Company shareholders	17		
Share capital and capital reserves		335,744	380,099
Retained earnings		800,723	708,634
		1,136,467	1,088,733
Non-controlling interests		78,126	55,594
Total equity		1,214,593	1,144,327
		4,606,771	4,479,636

March 12, 2026			
Date of approval of the financial statements	Guy Bernstein Chairman of the Board of Directors	Moti Gutman Chief Executive Officer	Nevo Brenner Chief Financial Officer

The accompanying notes constitute an integral part of the consolidated financial statements.

Consolidated Statements of Profit and Loss and Other Comprehensive Income (NIS thousands – other than data on net earnings per share)

	Note	Year ended December 31 2025	Year ended December 31 2024	Year ended December 31 2023
Revenues	21a	6,238,940	5,579,538	5,232,105
Cost of revenues and services	21b	5,299,273	4,746,544	4,467,925
Gross profit		939,667	832,994	764,180
Selling and marketing expenses	21c	218,843	196,231	189,698
General and administrative expenses	21d	198,686	186,689	181,063
Operating income		522,138	450,074	393,419
Financial expenses	21e	104,976	86,956	82,738
Financial income	21e	20,285	20,084	14,505
Income before taxes on income		437,447	383,202	325,186
Taxes on income	15e	107,128	94,978	78,331
Net income		330,319	288,224	246,855
Other comprehensive income (loss) (net of tax effect):				
Amounts that will not be subsequently reclassified to profit or loss				
Gain from remeasurement of defined benefit plans		5,596	2,722	3,280
Amounts that will be, or that have been, reclassified to profit or loss if specific conditions are met				
Adjustments for translation of financial statements of foreign operations		(50,968)	(1,140)	11,981
Change in fair value of instruments used in cashflow hedging		2,010	(4)	(532)
Total comprehensive income		**286,957**	**289,802**	**261,584**
Net income attributable to:				
Equity holders of the company		307,281	272,422	227,333
Non-controlling interests		23,038	15,802	19,522
		330,319	**288,224**	**246,855**
Total comprehensive income attributable to:				
Equity holders of the company		264,309	273,804	241,865
Non-controlling interests		22,648	15,998	19,719
		286,957	**289,802**	**261,584**
Net earnings per share attributable to the equity holders of the Company (NIS)	22			
Basic net earnings per share		4.83	4.29	3.58
Diluted net earnings per share		4.81	4.29	3.58

The accompanying notes constitute an integral part of the consolidated financial statements.

Consolidated Statements of Changes in Equity (NIS thousands)

	Share capital	Share premium	Treasury shares	Reserve for adjustments arising from translation of financial statements of foreign operations and cashflow hedge	Reserve for transactions between a corporation and a controlling shareholder	Reserve for share based payment and transactions with non-controlling interests	Retained earnings	Total attributable to Company shareholders	Non-controlling interests	Total equity
Balance as of January 1, 2025	68,255	309,447	(7,982)	(9,675)	10,186	9,868	708,634	1,088,733	55,594	1,144,327
Net income	-	-	-	-	-	-	307,281	307,281	23,038	330,319
Adjustments for translation of financial statements of foreign operations and cashflow hedge	-	-	-	(48,568)	-	-	-	(48,568)	(390)	(48,958)
Actuarial gain from remeasurement of defined benefit plans	-	-	-	-	-	-	5,596	5,596	-	5,596
Total other comprehensive income	-	-	-	(48,568)	-	-	5,596	(42,972)	(390)	(43,362)
Total comprehensive income	-		-	(48,568)	-	-	312,877	264,309	22,648	286,957
Exercise of employee stock options	266	18,765	-	-	-	(19,031)	-	-	-	-
Dividend declared	-	-	-	-	-	-	(220,788)	(220,788)	-	(220,788)
Dividend to non-controlling interest holders	-	-	-	-	-	-	-	-	(11,658)	(11,658)
Transaction with holders of non-controlling interests	-	-	-	-	-	(4,000)	-	(4,000)	11,542	7,542
Share-based payment	-	-	-	-	-	8,213	-	8,213	-	8,213
Balance as of December 31, 2025	68,521	328,212	(7,982)	(58,243)	10,186	(4,950)	800,723	1,136,467	78,126	1,214,593

The accompanying notes constitute an integral part of the consolidated financial statements.

Consolidated Statements of Changes in Equity (NIS thousands)

	Share capital	Share premium	Treasury shares	Reserve for adjustments arising from translation of financial statements of foreign operations and cashflow hedge	Reserve for transactions between a corporation and its controlling shareholder	Reserve for share based payment and transactions with non-controlling interests	Retained earnings	Total attributable to Company shareholders	Non-controlling interests	Total equity
Balance as of January 1, 2024	68,255	309,447	(7,982)	(8,335)	10,186	11,035	665,981	1,048,587	58,885	1,107,472
Net income	-	-	-	-	-	-	272,422	272,422	15,802	288,224
Adjustments arising from translation of financial statements of foreign operations and cash flow hedging	-	-	-	(1,340)	-	-	-	(1,340)	196	(1,144)
Actuarial gains on defined benefit plan	-	-	-	-	-	-	2,722	2,722	-	2,722
Total other comprehensive income (loss)	-	-	-	(1,340)	-	-	2,722	1,382	196	1,578
Total comprehensive income	-	-	-	(1,340)	-	-	275,144	273,804	15,998	289,802
Non-controlling interests in a company that was consolidated for the first time	-	-	-	-	-	-	-	-	950	950
Dividend declared	-	-	-	-	-	-	(232,491)	(232,491)	-	(232,491)
Dividend to non-controlling interest holders	-	-	-	-	-	-	-	-	(13,133)	(13,133)
Transactions with non-controlling interest holders	-	-	-	-	-	(19,193)	-	(19,193)	(7,106)	(26,299)
Share-based payment	-	-	-	-	-	18,026	-	18,026	-	18,026
Balance as of December 31, 2024	68,255	309,447	(7,982)	(9,675)	10,186	9,868	708,634	1,088,733	55,594	1,144,327

The accompanying notes constitute an integral part of the consolidated financial statements.

Consolidated Statements of Changes in Equity (NIS thousands)

	Share capital	Share premium	Treasury shares	Reserve for adjustments arising from translation of financial statements of foreign operations and cashflow hedge	Reserve for transactions between a corporation and a controlling shareholder	Reserve for share based payment and transactions with non-controlling interests	Retained earnings	Total attributable to Company shareholders	Non-controlling interests	Total equity
Balance as of January 1, 2023	68,002	305,894	(7,982)	(19,587)	10,186	(1,881)	561,777	916,409	48,466	964,875
Net income	-	-	-	-	-	-	227,333	227,333	19,522	246,855
Adjustments arising from translation of financial statements of foreign operations and cash flow hedging	-	-	-	11,252	-	-	-	11,252	197	11,449
Actuarial gain from remeasurement of defined benefit plans	-	-	-	-	-	-	3,280	3,280	-	3,280
Total other comprehensive income (loss)	-	-	-	11,252	-	-	3,280	14,532	197	14,729
Total comprehensive income	-	-	-	11,252	-	-	230,613	241,865	19,719	261,584
Exercise of employee stock options	253	3,553	-	-	-	(3,806)	-	-	-	-
Dividend paid	-	-	-	-	-	-	(126,409)	(126,409)	-	(126,409)
Dividend to non-controlling interest holders	-	-	-	-	-	-	-	-	(11,312)	(11,312)
Transaction with holders of non-controlling interests	-	-	-	-	-	616	-	616	2,012	2,628
Share-based payment	-	-	-	-	-	16,106	-	16,106	-	16,106
Balance as of December 31, 2023	68,255	309,447	(7,982)	(8,335)	10,186	11,035	665,981	1,048,587	58,885	1,107,472

The accompanying notes constitute an integral part of the consolidated financial statements.

Matrix IT Ltd.

Consolidated Statements of Cash Flows (NIS thousands)

	Year ended December 31 2025	Year ended December 31 2024	Year ended December 31 2023
Cash flows from operating activities			
Net income	330,319	288,224	246,855
Adjustments required to reconcile net income to net cash (used in)/provided by operating activities:			
Adjustments to profit and loss items:			
Depreciation and amortization	199,101	186,811	203,619
Taxes on income	107,128	94,978	78,331
Change in liabilities for employee benefits	8,944	1,553	4,966
Other financial expenses, net	47,384	27,227	38,661
Revaluation of liabilities in respect of business combinations	3,481	(1,741)	(348)
Capital gain from disposal of property, plant, and equipment	(296)	(301)	(292)
Share-based payment	8,213	18,026	16,106
Revaluation of liabilities for put options for non-controlling interests	12,755	15,321	10,175
	386,710	341,874	351,218
Changes in assets and liabilities items:			
Decrease (increase) in trade receivables	190,883	(245,505)	(73,925)
Decrease (increase) in other receivables and prepaid expenses	(29,201)	(15,712)	22,029
Decrease (increase) in inventories	16,692	44,413	(12,424)
Increase in trade payables	67,431	140,568	84,766
Increase (decrease) in deferred revenues and other accounts payable	(1,179)	188,813	24,825
	244,626	112,577	45,271

The accompanying notes constitute an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows (NIS thousands)

	Year ended December 31, 2025	Year ended December 31, 2024	Year ended December 31, 2023
Cash paid and received over the course of the year for:			
Interest paid	(43,568)	(49,375)	(54,917)
Interest received	20,285	20,084	14,505
Taxes paid	(128,245)	(124,758)	(113,262)
Taxes received	25,146	30,595	6,529
	(126,382)	(123,454)	(147,145)
Net cash provided by operating activities	835,273	619,221	496,199
Cash flows from investing activities			
Proceeds from sale of property, plant, and equipment	1,282	1,936	3,398
Acquisition of property, plant, and equipment	(34,471)	(41,541)	(38,866)
Software development costs	-	-	(2,250)
Acquisition of initially consolidated subsidiaries[(a)]	(65,362)	(17,321)	(38,034)
Net cash used in investment activities	(98,551)	(56,926)	(75,752)

The accompanying notes constitute an integral part of the consolidated financial statements.

Matrix IT Ltd.

Consolidated Statements of Cash Flows (NIS thousands)

	Year ended December 31, 2025	Year ended December 31, 2024	Year ended December 31, 2023
Cash flows from financing activities			
Short-term credit from banks and other credit providers, net	-	(24,019)	(35,626)
Receipt from the issuing of commercial securities	-	100,000	-
Receipt of long-term loans from banks and other credit providers	148,500	-	-
Repayment of long-term loans from banks and other credit providers	(125,105)	(179,003)	(223,175)
Dividend distribution	(269,065)	(184,214)	(126,409)
Repayment of liabilities in respect of business combinations	(3,418)	(11,561)	(15,211)
Payment of leasing liabilities	(128,669)	(129,435)	(137,896)
Distribution of dividends to non-controlling interests	(20,876)	(30,271)	(27,242)
Payment of liabilities for options to non-controlling interests	(1,827)	(1,124)	(29,352)
Acquisition of non-controlling interests	-	(3,899)	-
Repayment of bonds	(67,918)	(67,918)	(33,959)
Net cash used in financing activities	(468,378)	(531,444)	(628,870)
Translation differences for cash and cash-equivalent balances	(33,901)	(2,564)	9,318
Increase (decrease) in cash and cash equivalents	234,443	28,287	(199,105)
Balance of cash and cash equivalents at beginning of year	668,495	640,208	839,313
Balance of cash and cash equivalents at end of year	902,938	668,495	640,208
(a) Acquisition of initially consolidated subsidiaries:			
The subsidiaries' assets and liabilities at date of acquisition:			
Working capital (other than cash and cash equivalents)	(12,010)	663	(36,212)
Property, plant, and equipment, net	(1,322)	(270)	(287)
Long-term deposits	(3,255)	-	-
Deferred tax	(3,271)	(155)	(350)
Inventories	(1,401)	(185)	(15,339)
Goodwill	(55,537)	(36,038)	(20,869)
Intangible assets, net	(21,666)	(13,656)	(21,158)
Employee benefit liabilities	2,414	-	129
Deferred taxes provision	4,984	3,224	4,867
Liabilities for put options to holders of non-controlling interests	25,702	-	26,104
Non-controlling interests	-	950	-
Short-term liabilities	-	-	25,081
Liabilities in respect of business combinations	-	28,146	-
	(65,362)	(17,321)	(38,034)

The accompanying notes constitute an integral part of the consolidated financial statements.

	Year ended December 31, 2025	Year ended December 31, 2024	Year ended December 31, 2023
(b) Significant non-cash transactions:			
Dividend declared and not yet paid	-	48,277	-
Right-of-use asset recognized with corresponding lease liability	125,793	286,695	171,606

The accompanying notes constitute an integral part of the consolidated financial statements.

Note 1: General

a. Matrix IT Ltd. (the "Company") was incorporated in Israel on 12 September 1989, and started its business operations on that day. The Company is deemed a resident of Israel. The Company is publicly traded corporation listed on the Tel Aviv Stock Exchange Ltd.
The address of the Company's registered office is 3 Atir Yeda St, Kfar Saba.
The Company's controlling shareholder is Formula Systems (1985) Ltd. (hereinafter - Formula Systems). According to Formula Systems' reports, Asseco Poland S.A. ("Asseco"), a Polish company whose shares are traded on the Warsaw Stock Exchange, holds 25.8% of Formula Systems' share capital. (For additional details, see Article 21A in the chapter - "Additional Company Details.")

The Company currently operates in four operating segments as follows (see details in Note 24):

1. IT Solutions and Services, Consulting, and Management in Israel;
2. IT Solutions and Services in the US;
3. Marketing and Support of Software Products;
4. Cloud and Computing Infrastructures.

b. Definitions

In these financial statements:

The Company	-	Matrix IT Ltd.
The Group	-	The Company and its investees.
Consolidated companies	-	Companies in which the Company has control as defined in IFRS 10.
Investee companies	-	Consolidated companies and investee companies.
Parent company	-	Formula Systems (1985) Ltd.
Ultimate parent company - company		Asseco Poland S.A.
Interested parties and controlling shareholder	-	As defined in the Securities Regulations (Annual Financial Statements), 2010.
Related parties	-	As defined in IAS 24.

Note 2 – Significant Accounting Policies

A. Basis of Presentation of the Financial Statements

1. Preparation format of the financial statements
   The financial statements comply with the International Financial Reporting Standards (IFRS Accounting Standards). Similarly, the financial statements are prepared according to the provisions of the Securities Regulations (Annual Financial Statements), 2010.

2. Measurement basis
   The Company's financial statements are prepared on a cost basis except for financial assets and liabilities (including derivative instruments), which are presented at fair value through profit or loss and assets and liabilities for employee benefits.

   The Company has elected to present its profit and loss items according to the function of expense method.

   The Company classifies the details of the statement of financial position as current or non-current according to the Company's regular operating cycle, which is 12 months.

3. Consistent accounting policies
   The accounting policies set forth below have been consistently applied in the financial statements during all of the presented periods unless otherwise stated.

B. Estimates and assumptions used in the preparation of the financial statements

In preparing the financial statements, management is required to use estimates, assessments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. In formulating accounting estimates, the Company's management relies on past experience, various facts, external factors and reasonable assumptions, as appropriate under the circumstances. The underlying estimates and assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the change in estimate is made.

The following are the key assumptions made in the financial statements regarding uncertainties as of the reporting date and critical estimates calculated by the Group, where a material change in estimates and assumptions could change the carrying amounts of assets and liabilities in the financial statements in the next reporting year:

- Impairment of goodwill

  The Group reviews impairment of goodwill at least once annually. The review requires management to estimate the projected future cash flows expected to be derived from the continued use of the cash-generating units to which the goodwill has been allocated, as well as to estimate the appropriate discount rate for these cash flows. The potential consequences are imputation of impairment losses to profit or loss in the period in which they occurred. See additional information in Section 15.

Note 2: Significant Accounting Policies (cont.)

B. Estimates and assumptions used in the preparation of the financial statements (cont.)

- Determining the fair value of non-controlling interests Put Option

  In business combinations, when the Group measures the liability in respect of an option granted to non-controlling interest holders at fair value, it determines the fair value using the discounted cash flow valuation method.

  Measuring the progress towards satisfaction of a performance obligation

  For each transaction in which the performance obligation is satisfied over time, the Company applies an appropriate method of measuring progress toward satisfaction of the performance obligation using either an input or output method. In determining the appropriate method, the Company considers the nature of the goods or services provided to the customer. In calculating the rate of progress toward satisfaction of a performance obligation in each period, the Company will make various estimates such as expected volume of outputs from the contract, expected volume of inputs used in fulfilling the contract, etc. The Company exercises judgment in establishing the relevant estimates and relies, among others, on market data, the Company's experience, and other facts and assumptions based on the relevant circumstances of each estimate.

- Lease extension and/or termination options

  In assessing whether it is reasonably certain that the Company will exercise an option to extend a lease term or to terminate a lease term, the Company takes into account all relevant facts and circumstances that create an economic incentive for the Company to exercise or not to exercise the option, such as: significant amounts invested in leasehold improvements, the importance and uniqueness of the underlying asset for the Company's operations, the Company's past experience with similar lease transactions, and others.

  After the commencement date, the Company reassesses whether it is reasonably certain that it will or will not exercise an option when a significant event or a significant change in circumstances occurs that could affect the Company's decisions regarding the exercise of the option, such as: significant leasehold improvements that were not anticipated at the commencement date, entering into a sublease of the underlying asset for a period exceeding the end of the previously determined lease term, and others. The possible implications are an increase or decrease of the right-of-use asset and the lease liability, and a corresponding change in depreciation and financial expenses in subsequent periods.

Note 2: Significant Accounting Policies (cont.)

C. Consolidated financial statements

The consolidated financial statements include the financial statements of companies over which the Company has control (subsidiaries). Control exists when the Company has power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power to affect the amount of returns from the investee. In assessing control, the effect of potential voting rights is taken into account only if they are substantive. Consolidation of the financial statements is performed from the date on which control is obtained and ends when such control ceases.

Non-controlling interests in subsidiaries represent the equity in the subsidiaries that is not attributable, directly or indirectly, to the parent company. Non-controlling interests are presented separately within the Company's equity. Profit or loss and each component of other comprehensive income are attributed to the Company and to non-controlling interests.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as a change in equity by adjusting the carrying amount of the non-controlling interests with a corresponding adjustment of the equity attributable to equity holders of the Company less / plus the consideration paid or received.

D. Functional currency, presentation currency and foreign currency

1. Functional currency and presentation currency

   The functional and presentation currency of the financial statements is the NIS.

   The functional currency is the currency of the primary economic environment in which the Company operates.

   The Group determines the functional currency of each company within the Group, including companies accounted for using the equity method.

2. Index-linked monetary items
3. Monetary items that are linked, pursuant to their terms, to fluctuations in the Israeli consumer price index (hereinafter: the "Index") are adjusted according to the relevant Index, on each reporting date, pursuant to the terms of the agreement.

E. Cash equivalents

Cash equivalents are considered to be highly liquid investments, including short-term deposits with banking corporations that are not restricted by liens, whose original term does not exceed three months from the date of investment, or exceeds three months but are available for immediate withdrawal without penalty, and which form part of the Group's cash management.

Note 2: Significant Accounting Policies (cont.)

F. Short-term deposits

Short-term deposits with banking corporations whose original term exceeds three months from the date of investment and which do not meet the definition of cash equivalents. The deposits are presented in accordance with their terms of deposit.

G. Inventories

Inventories are measured according to the lower between cost and net realizable value. The cost of inventories includes the costs of purchase and the costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The cost of merchandise, hardware, computing, peripheral equipment and spare parts inventories is determined by a "first-in, first-out" method, for specific inventories or weighted average basis, as applicable.

The Company periodically reviews the condition and age of inventories and makes provisions for slow-moving inventories accordingly.

H. Financial instruments

1. Financial assets

Financial assets within the scope of the standard are measured at initial recognition at their fair value plus transaction costs that are directly attributable to the acquisition of the financial asset, except for a financial asset measured at fair value through profit or loss, for which transaction costs are recognized in profit or loss.

The Company measures debt instruments at amortized cost when:

The Company's business model is to hold the financial assets in order to collect contractual cash flows; and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, instruments in this category are measured in accordance with their terms at cost plus direct transaction costs, using the effective interest method.

2. Impairment of financial assets

The Company evaluates at the end of each reporting date the loss allowance for financial debt instruments that are not measured at fair value through profit or loss.

The Company distinguishes between two types of loss allowances:

a. Debt instruments for which there has been no significant deterioration in credit quality since initial recognition, or cases where the credit risk is low – the loss allowance recognized for such debt instruments will take into account the expected credit losses(“ECL”) over a 12-month period following the reporting date (12- month ECLs); or

Note 2: Significant Accounting Policies (cont.)

H. Financial instruments (cont.)

b. Debt instruments for which there has been a significant deterioration in credit quality since initial recognition and whose credit risk is not low – the loss allowance recognized is measured at an amount equal to the expected credit losses over the remaining lifetime of the instrument (Lifetime ECLs).

The Company has short-term financial assets, such as trade receivables, for which it applies the simplified approach provided in the model, i.e., the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

The Company has financial assets with short credit periods, such as trade receivables, for which it applies the simplified approach provided in the model, i.e., the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

3. Derecognition of financial assets

A financial asset is derecognized from the financial statements when the contractual rights to receive cash flows from the financial asset expire, or when the asset has been transferred and substantially all the risks and rewards of ownership have been transferred. In cases where substantially all the risks and rewards have neither been transferred nor retained, but control of the asset has been lost, the asset is derecognized and continuing involvement, if any, is recognized. Gains or losses on derecognition of a financial asset are recognized in the statement of profit or loss.

During the fourth quarter of 2025, the Company entered into an arrangement with a financial institution for the factoring of trade receivables in the amount of approximately NIS 261.4 million. The factoring was executed as a finished sale and accordingly, the Company derecognized the financial asset from its financial statements.

4. Financial liabilities

At initial recognition, the Company measures financial liabilities within the scope of the standard at fair value less transaction costs that are directly attributable to the issuance of the financial liability, except for a financial liability measured at fair value through profit or loss, for which transaction costs are recognized in profit or loss.

After initial recognition, the Company measures all financial liabilities at amortized cost, using the effective interest rate method, except for:

a. Financial liabilities at fair value through profit or loss, such as derivatives;

b. Contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies.

Note 2: Significant Accounting Policies (cont.)

H. Financial instruments (cont.)

5. Derecognition of financial liabilities

The Company derecognizes a financial liability when, and only when, it is extinguished – that is, when the obligation specified in the contract is discharged, cancelled or expires.

6. Put option granted to non-controlling interests

Accounting treatment up to and including December 31, 2025

The Group has granted holders of non-controlling interests a put option to sell all of their holdings (in whole or in part) in a consolidated company over a specified period. Typically, in such transactions there are also reciprocal call options. The Company accounts for the put options in accordance with the non-recognition approach for non-controlling interests. Under this approach, on the grant date, non-controlling interests are classified as a financial liability and are not allocated their share of the consolidated company's profits.

The Group recognizes at each reporting date a financial liability measured on the basis of the estimated present value of the consideration upon exercise of the put option, with changes in the amount of the liability recognized in profit or loss. If in subsequent periods the option is exercised, the exercise consideration is treated as settlement of the liability, and if the option expires, the liability is settled and a portion of the investment in the consolidated company will be disposed of, without loss of control thereof. However, in cases where the Company has the right to settle the obligation arising from the put option in cash or by means of the Company's equity instruments, at its discretion, the Company accounts for the option as a derivative instrument. Accordingly, non-controlling interests continue to be presented in the statement of financial position, and the Company allocates to the holders of these interests their proportionate share of the profits or losses of the subsidiary, in accordance with their ownership interest.

Voluntary change in accounting policy - treatment of put options using the partial recognition approach

Commencing from the 2026 financial statements, upon completion of the merger transaction with Magic, the Company intends to change its accounting policy and align it with the accounting policy of the Company's parent company (Formula Systems) and of certain companies in the Formula Systems group, including Magic. Under the new policy, the Company will account for put options granted to holders of non-controlling interests, which do not confer present ownership rights on the Company, using the partial recognition approach.

Note 2: Significant Accounting Policies (cont.)

H. Financial instruments (cont.)

Under the partial recognition approach, the Company measure non-controlling interests at the date of the business combination and will allocate to them in subsequent periods their share of comprehensive income and dividend distributions in accordance with the provisions of IFRS 10. At the end of each reporting period, the Company will derecognize the balance of non-controlling interests and recognize a financial liability in the amount of the present value of the exercise price of the put option. The difference between the updated value of the non-controlling interests derecognized and the updated value of the financial liability will be treated at the end of each reporting period as a transaction with holders of non-controlling interests (i.e., the difference is recognized in an equity reserve). The Company believes that the transition to the partial recognition approach, in those cases where the put options do not confer present ownership rights, more faithfully and relevantly reflects the effects of the put options on the Company's financial position and results of operations. This accounting policy is consistent with the policy applied by the Company's parent company (Formula Systems) and by certain companies in the Formula Systems group, including Magic (prior to the merger transaction). In addition, this policy will better reflect the rights of holders of non-controlling interests who bear the risks and rewards of shareholders in the profit or loss of the subsidiary.

The following is the expected impact of the change in the Company's accounting policy on the financial statements and on the statements of profit or loss, as of December 31, 2025 and December 31, 2024:
The implementation of the new accounting policy is expected to result in a reduction in the goodwill balance against a corresponding increase in capital reserve in the amount of between NIS 50-80 million. In addition, a reclassification will be made within equity between retained earnings and capital reserve, with no impact on total equity of the Company.
In the statements of profit or loss, a reclassification will be made between financial expenses, the share of income attributable to non-controlling interests and capital reserve. As a result, a decrease in financial expenses in the amount of NIS 8,215 thousand and NIS 7,595 thousand in 2025 and 2024, respectively, will be recorded; an increase in income attributable to non-controlling interests in the amount of NIS 6,692 thousand and NIS 3,981 thousand, respectively; and a decrease in capital reserve in the amount of NIS 1,523 thousand and NIS 3,615 thousand, respectively. This change has no impact on the comprehensive income of the Company, but only on its presentation and classification.

Note 2: Significant Accounting Policies (cont.)

7. Convertible bonds

Convertible bonds of the Company are classified as a compound financial instrument, which at the date of issuance is separated into a liability component and an equity component (the right to convert the bonds into a fixed number of the Company's shares at a predetermined conversion ratio), presented within equity. At initial recognition, the Company determines the fair value of the liability component based on the market interest rate for similar debt instruments without a conversion option. This component is subsequently measured at amortized cost using the effective interest method. The residual amount of the proceeds is allocated to the conversion option embedded in the bonds. This component is recognized in equity, net of tax effects, and is not remeasured in subsequent periods. Issuance costs are allocated proportionally to the components of the compound financial instrument.

I. Hedging accounting

The Group from time to time enters into derivative financial instruments, such as forward contracts or options, to hedge against risks associated with fluctuations in foreign currency exchange rates.

Gains or losses arising from changes in the fair value of derivatives that are not designated for hedging purposes are recognized immediately in profit or loss.

Hedging transactions qualify for hedge accounting, when at the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. The hedge is assessed on an ongoing basis and is determined to be highly effective during the financial reporting period for which the hedge was designated.

The Company applies the following accounting treatment with respect to hedge accounting:

Cash flow hedges:

The effective portion of changes in the fair value of the hedging instrument is recognized in other comprehensive income (loss), while the ineffective portion is recognized immediately in profit or loss.

Amounts recognized as other comprehensive income (loss) are reclassified to profit or loss when the hedging transaction results are charged to profit or loss.

As of December 31, 2025, the Company has transactions to hedge the U.S. dollar exchange rate with a notional amount of approximately USD 32 million, by way of cylinder transactions (purchase of put options and sale of call options) with exercise periods through September 2026. The fair value as of December 31, 2025 is approximately NIS 2.1 million and is presented within current assets.

Subsequent to the balance sheet date, the Company entered into transactions to hedge the U.S. dollar exchange rate with a notional amount of approximately USD 30 million, by way of cylinder transactions (purchase of put options and sale of call options) with exercise periods through December 2026.

Note 2: Significant Accounting Policies (cont.)

I. Hedging accounting (cont.)

Fair value hedges:

Changes in the fair value of derivatives designated as fair value hedges, as well as changes in the fair value of the hedged item, are recognized in profit or loss and are included in financial expenses/income.

J. Leases

The Company accounts for a contract as a lease when the contract terms convey the right to control the use of an identified asset for a period of time in exchange for consideration.

For leases in which the Company is the lessee, the Company recognizes a right-of-use asset and a lease liability on the commencement date of the lease. The Company has elected to apply the practical expedient in the Standard and does not separate the lease components from the non-lease components (such as management and maintenance services, etc.) included in that same transaction.

Leases in which an employee is entitled to a Company car as part of the terms of his/her employment are accounted for by the Company as employee benefits pursuant to the provisions of IAS 19, and not as subleases.

On the commencement date, the lease liability includes all unpaid lease payments discounted at the Company's incremental borrowing interest rate, determined using an outside economic study. After the commencement date, the Company measures the lease liability using the effective interest rate method.

On the commencement date, a right-of-use asset is recognized at the amount of the lease liability plus lease payments that were made on the commencement date or prior thereto, plus the incurred costs of the transaction.

A right-of-use asset is measured according to the cost model and is deducted over the shorter of its useful life using the straight-line method, or the lease period.

Below are the amortization periods of the right-of-use assets by underlying asset class:

	Years	Mainly
Land and buildings	3-10	10
Motor vehicles	4	4

When indicators of impairment exist, the Company tests the right-of-use asset for impairment in accordance with the provisions of IAS 36.

Note 2: Significant Accounting Policies (cont.)

K. Business combinations and goodwill

Business combinations, other than business combinations under common control, are accounted for using the acquisition method. The cost of acquisition is measured at the fair value of the consideration transferred at the acquisition date plus non-controlling interests in the acquiree. In each business combination, the Company elects to measure non-controlling interests in the acquiree at their proportionate share of the fair value of the acquiree's identifiable net assets.

Direct acquisition costs are expensed as incurred in the statement of comprehensive income.

A put option issued by the Group to non-controlling interests is accounted for using the expected purchase approach, i.e., the underlying assumption of this method is that the option will be exercised, and therefore the parent company effectively holds the ownership percentage of the subsidiary's shares following the exercise of the put option. A put option issued by the Group to non-controlling interests in exchange for cash or another financial asset is recognized as a liability at the present value of the exercise price of the option. Alternatively, to the extent that the terms of the option grant the Company an exclusive right to settle by means of an equity instrument, it is classified as a financial derivative at fair value, with non-controlling interests continuing to be presented in the statement of financial position, and the Company allocates to the holders of such interests their proportionate share of the profits or losses of the held company. Commencing from the 2026 financial statements, upon completion of the merger transaction with Magic, the Group intends to change its accounting policy and align it with the accounting policy described in Note 2(h)(6) above.

Contingent consideration is recognized at its fair value at the acquisition date. Contingent consideration is classified as a financial asset or liability in accordance with IFRS 9, and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

Goodwill is initially measured at cost, which is the excess of the acquisition consideration and the non-controlling interests over the net amount of the identifiable assets acquired and the liabilities assumed.

L. Transactions with controlling shareholders

Business combinations under common control are accounted for using the as-pooling approach, in accordance with the following principles:

- The assets and liabilities of the acquired entity are recognized in the financial statements at their carrying amounts in the financial statements of the controlling shareholder prior to the business combination.
- The difference between the consideration transferred and the carrying amount of the net assets of the acquired entity is recognized directly in equity.
- The Company's financial statements reflect the financial position and results of operations including those of the acquired entity by way of the business combination, as if the business combination had taken place on the date on which these entities came under common control, such that prior periods are restated to reflect the business combination.

Note 2: Significant Accounting Policies (cont.)

M. Property, plant and equipment

Property, plant and equipment are measured at cost, plus directly attributable costs, less accumulated depreciation, accumulated impairment losses and any related investment grants, and excluding day-to-day servicing expenses.

An asset is depreciated from the time it is available for use, that is when it has reached the location and condition necessary for it to be able to operate in the manner intended by management.

Depreciation is calculated in equal annual increments using the straight-line method over the asset's useful lifespan, as follows:

	%
Computers, furniture and equipment	7-33
Motor vehicles	15
Leasehold improvements	See below

Leasehold improvements are depreciated on a straight-line basis over the lease term (including the extension option period available to the Group that the Group intends to exercise) or over the estimated useful life of the improvement, whichever is shorter.

The useful life, depreciation method and residual value of each asset are reviewed at least at each year-end, and changes are accounted for as a change in accounting estimate on a prospective basis. For impairment testing of property and equipment, see section 14 below.

Depreciation of assets ceases at the earlier than the date on which the asset is classified as held for sale and the date on which the asset is derecognized.

N. Intangible assets

Intangible assets acquired separately are measured at initial recognition at cost, plus direct acquisition costs. Intangible assets acquired in business combinations are included at their fair value on the acquisition date.

Based on management's assessment, intangible assets with finite useful lives are amortized over their useful lives on a straight-line basis and are tested for impairment when there are indicators of impairment. The amortization period and the amortization method of an intangible asset are reviewed at least at each year-end.

The useful lives of intangible assets are as follows:

	Years
Customers and backlog	1-10
Licenses and franchises	2-4

Note 2: Significant Accounting Policies (cont.)

O. Impairment of non-financial assets

The Company reviews the need for impairment of non-financial assets (property, plant, and equipment, intangible assets, goodwill, investments in investees) when there are indications that result from events or changes in circumstances that suggest that the balance in the financial statements is not recoverable. In cases where the balance in the financial statements for non-financial assets exceeds their recoverable amount, these assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset and the time value of money. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are charted to the statement of comprehensive income.

An asset's impairment loss, other than goodwill, is only cancelled when there are changes in the estimates that were used in determining the asset's recoverable amount since the date on which the loss from impairment was last recognized. Said cancellation of loss, is limited to the lower of the asset's previously recognized impairment amount (less amortization or depreciation) and the asset's recoverable amount. With regard to an asset presented at cost, said loss is recognized in the statement of comprehensive income.

The following unique criteria are applied in assessing impairment of these specific assets:

Testing impairment of goodwill in respect of consolidated companies
Goodwill acquired in a business combination is allocated, at the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination. The goodwill is managed by operating segment.

The Company performs its own tests and uses third-party valuation specialists to test for impairment of goodwill once a year on 31 December or more frequently if events or changes in circumstances indicate that there is an impairment.

Goodwill is tested for impairment by assessing the recoverable amount of the cash-yielding unit (or group of cash-yielding units) to which the goodwill is allocated.

Each cash-generating unit to which goodwill has been allocated presents the lost amount of the entity for which goodwill is monitored for internal management purposes and regardless, is not greater than the operating segment.

When the cash-yielding unit's recoverable amount is lower than the balance in the financial statements for the cash-yielding unit (or group of cash-yielding units) to which the goodwill is allocated, the impairment loss, that is attributed first to goodwill, is recognized. Losses from impairment of goodwill are not reversed in consecutive periods.

Note 2: Significant Accounting Policies (cont.)

P. Government Grants

Government grants are recognized when there is reasonable assurance that the grants will be received and the Company will comply with all the conditions
for receiving the grant.

Q. Taxes on income

Current or deferred taxes are charged to the statement of comprehensive income unless they address items that are attributed to other comprehensive income or to equity.

1. Current Taxes

   Current tax liabilities are determined using the tax rates and tax laws enacted, or substantively enacted, up to the reporting date, as well as required adjustments in relation to the tax liability payable for prior years.

2. Deferred taxes

   Deferred taxes are calculated in respect of temporary differences between the amounts included in the financial statements and the amounts taken into account for tax purposes.

   Deferred tax balances are calculated at the tax rate expected to apply when the asset is realized or the liability is settled, based on the tax laws enacted, or substantively enacted, up to the reporting date.

   In calculating deferred taxes, no account is taken of the taxes that would apply in the event of realization of investments in investee companies, so long as the sale of such investments is not expected in the foreseeable future. In addition, no deferred taxes were taken into account in respect of the distribution of profits by investee companies as dividends, since the distribution of dividends does not entail additional tax liability, or due to the Company's policy not to initiate dividend distribution that would entail additional tax liability.

   Deferred taxes are offset in the statement of financial position if there is a legal right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxable entity and the same tax authority.

Note 2: Significant Accounting Policies (cont.)

R. Share-Based Payment Transactions

Executives of the Company are entitled to benefits by way of share-based payments settled in equity instruments.

Equity-Settled Transactions

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at the grant date. The fair value is determined using an accepted option pricing model.

The cost of equity-settled transactions is recognized in the statement of comprehensive income together with a corresponding increase in equity over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (hereinafter - the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest (estimated based on the Company's past experience).

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional on a market condition, which are treated as vested irrespective of whether the market condition is satisfied, provided that all other vesting conditions are met.

S. Employee benefit liabilities

The Group has several employee benefit plans:

1. Short-Term Employee Benefits

   Short-term employee benefits are benefits expected to be settled in full before 12 months after the end of the annual reporting period in which the employees render the related services. These benefits include salaries, vacation days, sick leave, recreation pay and employer contributions to national insurance and are recognized as an expense when the services are rendered. A liability for a cash bonus or profit-sharing plan is recognized when the Group has a legal or constructive obligation to pay the said amount for services rendered by the employee in the past and the amount can be reliably estimated. The short-term employee benefit liability presented in the statement of financial position represents the undiscounted value of the liability.

Note 2: Significant Accounting Policies (cont.)

S. Employee benefit liabilities (cont.)

2. Post-Employment Benefits

The plans are generally financed by deposits to insurance companies and are classified as defined contribution plans and defined benefit plans.

a) Defined Contribution Plan

The Group has defined contribution plans, in accordance with Section 14 of the Severance Pay Law, under which the Group makes regular payments without having a legal or constructive obligation to make additional payments even if the fund has not accumulated sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods. Contributions to a defined contribution plan for severance pay or for benefits are recognized as an expense concurrently with the receipt of work services from the employee.

b) Defined Benefit Plan

The Group has a defined benefit plan for severance pay in accordance with the Severance Pay Law. Under the law, employees are entitled to receive severance pay upon dismissal or retirement. The obligation for termination of employment is measured using the actuarial line method. The actuarial calculation takes into account future salary increases and employee turnover rates, based on an estimate of the timing of payment. The amounts are presented on the basis of discounting expected future cash flows, using a discounted rate determined by reference to market yields at the reporting date on high-quality corporate bonds that are linked to the Consumer Price Index with a term that is consistent with the estimated term of the severance pay obligation.

The Company deposits funds on a current basis in pension funds and with insurance companies, for its severance pay obligations to some of its employees (hereinafter - plan assets). Plan assets are assets held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available for use by the Group's creditors and cannot be paid directly to the Group.

The employee benefit liability presented in the statement of financial position represents the present value of the defined benefit obligation less the fair value of the plan assets.

Remeasurements of the net liability are recognized in other comprehensive income in the period in which they occur.

The Group's net liability for other long-term employee benefits, calculated based on an external actuarial valuation, is in respect of the amount of future benefit to which employees are entitled for services rendered in the current and prior periods, taking into account the expected rate of salary increases. The amount of these benefits is discounted to its present value less the fair value of assets related to these obligations. The discount rate is determined by reference, at the reporting date, to market yields on high quality corporate bonds that are linked to the Consumer Price Index and whose term is consistent with the term of the Group's obligation.

Remeasurements of the net liability are recognized in the statement of comprehensive income in the period in which it occurs.

Note 2: Significant Accounting Policies (cont.)

T. Revenue Recognition

Revenues from contracts with customers are recognized in profit or loss when control of the asset or service is transferred to the customer. Revenue is measured and recognized at the fair value of the consideration expected to be received in accordance with the terms of the contract, net of amounts collected on behalf of third parties (such as taxes).

1. **Revenues from Time and Materials Contracts**

   Revenues from framework agreements for work performed on a time and materials basis are recognized based on the inputs (generally labor hours) actually invested.

2. **Revenues from Fixed-Price Contracts**

   Revenue from these contracts is recognized using the percentage-of-completion method when all of the following conditions are met: revenues are known or can be reliably estimated, collection of revenues is expected, costs involved in performing the work are known or can be reliably estimated, there is no material uncertainty regarding the Group's ability to complete the work and meet the contractual terms with the customer, and the percentage of completion can be reliably estimated.
   The percentage of completion is determined based on actual costs versus total estimated costs.
   As long as not all conditions for revenue recognition of revenue from work under a construction contract are met, revenue is recognized in the amount of costs incurred that are expected to be recoverable (Probable) ("zero margin presentation"). When a loss is expected from the contract, the full loss is recognized immediately regardless of the percentage of completion, within cost of revenues.

3. **Revenues from Marketing and Support of Software Products**

   The Company recognizes revenue from software licensing at the point in time when the Company provides the customer with a right to use the Company's intellectual property as it exists at that point in time when the license is granted, or over time, when the Company provides the customer with a right to access the Company's intellectual property as it exists throughout the license period.
   As a general rule, revenue from sales agreements that do not include a general right of return and that include multiple components such as software, services, and support agreements, is allocated to separate performance obligations and recognized separately for each performance obligation. The allocation of the consideration is made on a proportional basis based on standalone selling prices of each of the components. Revenue recognition from the various performance obligations is recognized when the conditions for revenue recognition from the components included in that performance obligation have been met, according to their type, and only up to the amount of consideration that is not contingent on completion or performance of the remaining components in the contract.

4. **Maintenance Revenues**

   Maintenance revenues are recognized on a pro-rata basis over the term of the maintenance contract to be performed in each accounting year.
   Revenues received for which the service or product has not yet been provided are recorded as deferred revenues.

Note 2: Significant Accounting Policies (cont.)

T. Revenue Recognition (cont.)

5. **Revenues from Training and Implementation Services**

   Revenues from training and implementation services are recognized upon delivery of the service.

6. **Revenues from Infrastructure and Computing**

   Revenues from infrastructure solutions and hardware products are recognized in profit or loss upon the transfer of control of the goods sold to the customer. Control is generally transferred at the time of delivery of the goods to the customer.

7. **Revenues on a Gross or Net Basis**

   In determining the method of presenting revenues from contracts with customers, the Company examines whether it acts as a principal supplier or as an agent in the contract. The Company is a principal supplier when it controls the goods or services promised prior to their transfer to the customer and bears the risks and rewards derived from the transaction. In these cases, the Company recognizes revenues at the gross amount of the consideration. In cases where the Company acts as an agent or intermediary, without bearing the risks and rewards derived from the transaction (for example, in certain transactions for the distribution, marketing and/or sale of software products or certain transactions for the sale of cloud services), the Company recognizes revenue at the net amount, after deducting the amounts due to the principal supplier.

8. **Variable Consideration**

   The Company is required to determine the transaction price separately for each contract with a customer. In exercising this judgment, the Company assesses the effect of any variable consideration in the contract, taking into account discounts, penalties, variations, claims, and non-cash consideration. In determining the effect of variable consideration, the Company generally uses the "most likely amount" method specified in the standard. According to this method, the transaction price is determined by taking into account the single most likely amount in the range of possible consideration amounts in the contract. The Company includes amounts of variable consideration only if it is highly probable that a significant reversal in the amount of revenues recognized will not occur when the uncertainty related to the variability of the consideration is subsequently resolved.

9. **Allocation of Transaction Price**

   For contracts that include more than one performance obligation, the Company allocates the total transaction price in the contract on a proportional basis of the standalone selling price at the contract inception date for each identified performance obligation. The standalone selling price is the price at which the Company would have separately sell the goods or services promised in the contract.

Note 2: Significant Accounting Policies (cont.)

U. Provisions

A provision in accordance with IAS 37 is recognized when the Group has a present obligation (legal or constructive) as a result of an event that occurred in the past, it is expected that economic resources will be required in order to settle the obligation and A reliable estimate can be made of the amount of the obligation. Where the effect is material, provisions are measured by discounting the expected future cash flows, using a pre-tax interest rate that reflects current market assessments of the time value of money and, where appropriate, the specific risks relating to the liability.

Legal Claims

A provision for claims is recognized when the Group has a present legal or constructive obligation as a result of an event that occurred in the past, it is more likely than not that the Group will be required to use its economic resources to settle the obligation and it can be reliably estimated.

V. Treasury Shares

The Company's shares held by the Company are measured at their acquisition cost and presented as a deduction from the Company's equity. Any gain or loss arising from the purchase, sale, issuance or cancellation of treasury shares is recognized directly in equity.

W. Disclosure of new IFRS standards in the period prior to their implementation

IFRS 18, Presentation and Disclosure in Financial Statements (hereinafter: "IFRS 18" or "the new standard")

IFRS 18, published in April 2024, is intended to improve the comparability and transparency of reporting on corporate performance. The new standard replaces IAS 1, Presentation of Financial Statements, and does not address recognition and measurement of items in the financial statements.

The following is an overview of the key changes that will apply in the financial statements upon adoption of the new standard, in relation to the currently applicable presentation and disclosure requirements:

- The new standard will change the structure of the statement of profit or loss and will include three new defined categories: operating, investing and financing, and will add two new subtotals: operating income and income before financing and income taxes.
- The new standard includes guidance for disclosure in the financial statements of Management-defined Performance Measures (MPMs).
- The new standard provides guidance regarding aggregation and disaggregation of information in the financial statements, regarding whether information should be included in the primary statements or in the notes, and regarding disclosures of items classified as "other".

Note 2: Significant Accounting Policies (cont.)

W. Disclosure of new IFRS standards in the period prior to their implementation (cont.)

IFRS 18 will be applied retroactively beginning from annual periods commencing on January 1, 2027 or thereafter, with specific disclosure as prescribed under the transition provisions of the new standard. In accordance with the provisions of IFRS 18, early adoption is permitted with appropriate disclosure thereof.

The Company is examining the potential impact of IFRS 18 on the financial statements; however, at this stage, it is unable to assess such impact.

X. Below is information about changes in the CPI and relevant exchange rates:

	December 31, 2025	December 31, 2024	December 31, 2023
Consumer Price Index (base year 2020)			
In Israel (actual CPI)	117.8	114.8	111.2
In Israel (known CPI)	117.8	115.11	111.3
Exchange rate against the NIS			
Dollar	3.19	3.65	3.63
Euro	3.75	3.80	4.01

Consumer Price Index (base year 2020)			
In Israel (actual CPI)	2.6%	3.24%	2.96%
In Israel (known CPI)	2.36%	3.43%	3.34%
Exchange rate against the NIS			
Dollar	(12.53%)	0.55%	3.07%
Euro	(1.34%)	(5.36%)	6.89%

Note 3: Business Combinations

a. On January 1, 2023, the Company completed the acquisition of 70% of the share capital of Zebra Technologies Ltd. (hereinafter "Zebra") for a total consideration of approximately NIS 53 million (including equity). Zebra is engaged in the distribution and marketing of software solutions and products in the fields of data communications, information security, and cyber defense. Under the acquisition agreement, the Company and the seller have a mutual option for the sale and purchase of the seller's remaining shares to the Company. The Company allocated the purchase price to assets and liabilities based on a PPA study. Of the excess acquisition cost of NIS 37.1 million, NIS 21.1 million was attributed to intangible assets, and the remainder to goodwill.

Note 3: Business Combinations (cont.)

b. On November 13, 2024, the Company, through its subsidiary Matrix US Holding LLC, completed the acquisition of 51% of the interests in the operations of Alacer, which is engaged in advisory services and provision of experts in the field of governance, regulation, & compliance in the US financial market, for a total consideration of approximately USD 2 million in cash, plus additional contingent consideration derived from the company's performance over the next 3 years. In addition, the Company has a Call option to acquire the sellers' remaining interests in the operations. The Company allocated the acquisition cost to assets and liabilities based on a PPA study. Of the excess acquisition cost of USD 2.3 million, approximately USD 0.8 million was attributed to intangible assets and the remainder was attributed to goodwill.

c. On December 3, 2024, the Company, through its subsidiary Matrix IT Integration and Infrastructures, completed the acquisition of 100% of the share capital of Moshe Ort Ltd. (Ortec) for a total consideration of approximately NIS 19.5 million (including equity) in cash, plus additional contingent consideration depending on the company's future financial results. Ortec imports, distributes, sells, and provides support and characterization services for automated manufacturing machines for component assembly and automated inspection machines for assembly processes and components on production lines in the fields of industrial, medical, and military instrumentation, lasers and sensors for civilian and defense applications, optical communication systems, and automotive radar systems, and serves, as a representative in Israel of dozens of international manufacturers.

d. Under the acquisition agreement, the Company and the seller have a mutual option for the sale and purchase of the seller's remaining shares to the Company. The Company allocated the acquisition cost to assets and liabilities based on a PPA study. Of the excess acquisition cost of NIS 39.3 million, NIS 13.3 million was attributed to intangible assets, and the remainder to goodwill.

   On February 4, 2025, the Company, through its subsidiary Matrix IT Systems Ltd., completed the acquisition of 70% of the share capital of Gav Systems Ltd. and Gav Expert Ltd. for a total consideration of approximately NIS 45.5 million. In addition, a dividend of NIS 29 million was paid to the sellers in respect of retained earnings up to December 31, 2023. Under the agreement, the Company and the seller have a mutual option for the sale and purchase of the seller's remaining shares to the Company. Gav Systems provides outsourcing services, primarily of IT and software personnel.

   As of the report date, the valuation underlying the allocation of consideration to assets and liabilities (PPA) has not yet been completed, and accordingly, this allocation is provisional, based on management's estimate, and may be updated in future periods upon completion of the valuation.

   Based on the provisional allocation, the excess acquisition cost of approximately NIS 72.2 million was attributed to intangible assets in the amount of approximately NIS 16.8 million, and the remainder was attributed to goodwill.

   As noted above, the Group recognized the fair value of the assets acquired and the liabilities assumed in the business combination based on a provisional measurement. Accordingly, the acquisition consideration and the fair value of the assets and liabilities acquired are subject to final adjustment up to 12 months from the acquisition date.

Note 4: Cash and Cash Equivalents (NIS thousands)

	December 31, 2025	December 31, 2024
NIS		
Cash	300,759	206,596
Cash equivalents - short-term deposits	365,289	208,262
	666,048	414,858
In foreign currency		
Cash	163,409	159,905
Cash equivalents - short-term deposits	73,481	93,732
	236,890	253,637
	902,938	**668,495**

Note 5: Trade Receivables and Accrued Revenues, Net

a. Trade receivables balance, net (NIS thousands):

	December 31, 2025	December 31, 2024
Open debts:		
NIS	1,067,239	1,227,037
Foreign currency	182,446	178,527
Related parties	8,530	16,963
Checks receivable	48,233	48,234
Unbilled receivables	512,752	474,640
Less – provision for doubtful debts	(20,293)	(19,211)
Trade receivables, net	**1,798,907**	**1,926,190**

b. Movement in in the provision for doubtful debts:

	NIS thousands
Balance as of January 1, 2024	**17,354**
Additions during the year	5,612
Derecognition of bad debts	(1,424)
Reversal of collected doubtful debts	(2,331)
Balance as of December 31, 2024	**19,211**
Entry into consolidation	860
Additions during the year	3,943
Derecognition of bad debts	(1,484)
Reversal of collected doubtful debts	(2,237)
Balance as of December 31, 2025	**20,293**

Note 5: Trade Receivables and Accrued Revenues, Net (cont.)

c. Below is information regarding the Company's exposure to credit risk in respect of trade receivables balances, net:

	Customers not yet past due	Customers past due by Up to 30 days	Customers past due by 30-60 days	Customers past due by 60-90 days	Customers past due by 90-120 days	Customers past due by Over 120 days	Total
31.12.25	1,371,346	270,039	93,073	36,559	20,095	7,795	1,798,907
31.12.24	1,514,987	256,159	86,275	38,095	18,465	12,209	1,926,190

Note 6: Other Receivables and Debit Balances (NIS thousands)

	December 31, 2025	December 31, 2024
Employees	797	961
Institutions	6,548	2,849
Prepaid expenses	117,560	113,522
Advances to suppliers	3,033	3,356
Other receivables and debit balances	4,310	1,585
Total	**132,248**	**122,273**

Note 7: Inventories (NIS thousands)

	December 31, 2025	December 31, 2024
Inventories of computers and peripheral equipment	**86,570**	**101,861**

The provision for Inventories impairment for 2025 and 2024 amounted to approximately NIS 4,586 thousand and NIS 3,730 thousand, respectively. The said expense was charged to cost of revenues.

Note 8: Property, Plant, and Equipment

Composition and movement - 2025 (NIS thousands)

	Owned assets - computers, furniture, and equipment	Owned assets - vehicles	Owned assets - leasehold improvements	Operating lease assets - machinery and equipment	Total
Cost					
Balance as of January 1, 2025	182,028	10,281	106,279	59,473	358,061
Entry of company into consolidation	4,461	-	-	736	5,197
Purchases during the year	15,312	8,421	100	10,638	34,471
Disposals during the year	(1,011)	(8,791)	(2,415)	(408)	(12,625)
Adjustments from translation of financial statements	(1,033)	-	-	-	(1,033)
Balance as of December 31, 2025	199,757	9,911	103,964	70,439	384,071
Accrued depreciation					
Balance as of January 1, 2025	139,902	7,176	66,749	42,618	256,445
Entry of company into consolidation	3,361	-	-	515	3,876
Purchases during the year	16,130	8,364	1,062	7,796	33,352
Disposals during the year	(998)	(8,469)	(2,027)	(145)	(11,639)
Adjustments from translation of financial statements	(921)	-	-	-	(921)
Balance as of December 31, 2025	157,474	7,071	65,784	50,784	281,113
Depreciated cost as of December 31, 2025	**42,283**	**2,840**	**38,180**	**19,655**	**102,958**

Note 8: Property, Plant, and Equipment (cont.)

Composition and movement - 2024 (NIS thousands)

	Owned assets - computers, furniture, and equipment	Owned assets - vehicles	Owned assets - leasehold improvements	Operating lease assets - machinery and equipment	Total
Cost					
Balance as of January 1, 2024	168,054	13,937	88,390	60,489	330,870
Entry of company into consolidation	201	788	-	-	989
Purchases during the year	14,920	939	17,892	7,790	41,541
Disposals during the year	(1,172)	(5,383)	-	(8,806)	(15,361)
Adjustments from translation of financial statements	25	-	(3)	-	22
Balance as of December 31, 2024	182,028	10,281	106,279	59,473	358,061
Accrued depreciation					
Balance as of January 1, 2024	123,649	9,271	60,064	42,528	235,512
Entry of company into consolidation	200	519	-	-	719
Purchases during the year	17,273	1,323	6,689	8,654	33,939
Disposals during the year	(1,225)	(3,937)	-	(8,564)	(13,726)
Adjustments from translation of financial statements	5	-	(4)	-	1
Balance as of December 31, 2024	139,902	7,176	66,749	42,618	256,445
Depreciated cost as of December 31, 2024	**42,126**	**3,105**	**39,530**	**16,855**	**101,616**

Note 9: Goodwill and Intangible Assets, Net

a. Composition:

2025 (NIS thousands)

	Customer base and backlog	Licenses and franchises	Intangible assets under development	Goodwill	Total
Cost					
Balance as of January 1, 2025	286,741	4,976	2,250	955,988	1,249,955
Entrance to consolidation	21,666	-	-	55,537	77,203
Adjustments from translation of financial statements	-	-	-	(28,812)	(28,812)
Adjustments	6,630	-	-	(4,395)	2,235
Balance as of December 31, 2025	315,037	4,976	2,250	978,318	1,300,581
Accrued depreciation					
Balance as of January 1, 2025	199,098	4,976	-	-	204,074
Depreciation	28,690	-	225	-	28,915
Balance as of December 31, 2025	227,788	4,976	225	-	232,989
Net balance As of December 31, 2025	**87,249**	**-**	**2,025**	**978,318**	**1,067,592**

2024 (NIS thousands)

	Customer base and backlog	Licenses and franchises	Intangible assets under development	Goodwill	Total
Cost					
Balance as of January 1, 2024	273,085	4,976	2,250	918,829	1,199,140
Entrance to consolidation	13,656	-	-	36,038	49,694
Adjustments from translation of financial statements	-	-	-	1,121	1,121
Balance as of December 31, 2024	286,741	4,976	2,250	955,988	1,249,955
Accrued depreciation					
Balance as of January 1, 2024	177,006	4,900	-	-	181,906
Depreciation	22,092	76	-	-	22,168
Balance as of December 31, 2024	199,098	4,976	-	-	204,074
Net balance as of December 31, 2024	**87,643**	**-**	**2,250**	**955,988**	**1,045,881**

Note 9: Goodwill and Intangible Assets, Net (cont.)

b. Amortization of intangible assets

1. The amortization method reflects the consumption of the future economic benefits that will derive from the asset.
2. Amortization expenses of intangible assets with finite useful lives are charged to the selling and marketing expenses in the statement of profit or loss.

c. Review of impairment of good

In order to test the impairment of goodwill, goodwill was allocated to operating segments that represent five cash-generating units, as follows:

1. IT Solutions and Services, Consulting, and Management in Israel.
2. IT Solutions and Services in the US.
3. Marketing and Support of Software Products.
4. Cloud and Computing Infrastructures.

The following is the balance in the financial statements as of December 31, 2025, of goodwill allocated to each of the cash-generating units (constituting a segment) - NIS thousands

	IT Solutions and Services, Consulting, and Management in Israel	Marketing and Support of Software Products	Cloud and Computing Infrastructures	IT Solutions and Services in the US	Total
Goodwill balance as of January 1, 2025	494,646	49,453	125,989	285,900	955,988
Acquisitions during the year	55,537	-	-	-	55,537
Adjustments	-	-	(3,705)	(690)	(4,395)
Adjustments from translation of financial statements	-	-	-	(28,812)	(28,812)
Goodwill balance as of December 31, 2025	**550,183**	**49,453**	**122,284**	**256,398**	**978,318**

Note 9: Goodwill and Intangible Assets, Net (cont.)

d. Data regarding units to which substantial goodwill was allocated in relation to the balance of goodwill on the books

The recoverable amount of the cash-generating units detailed below was determined based on value in use, which is calculated according to the estimated future cash flows expected from the assets, as determined by an external valuation, in accordance with the forecast approved by the Company's management.

In each of the cash-generating units, the recoverable amount was found to exceed the book value of the net assets, and therefore no impairment recognition is required.

Below is the recoverable amount and the main key assumptions used in determining that amount as of December 31, 2025 (NIS millions):

	IT Solutions and Services, Consulting, and Management in Israel	Marketing and Support of Software Products	Cloud and Computing Infrastructures	IT Solutions and Services in the US
Recoverable amount	4,086	516	1,639	959
Discount rate	10%	13.1%	11.5%	10.1%
Growth rate in the terminal year (after the years 2026-2030)	3%	3%	4%	3%

Note 10: Credit from Banks and other credit providers (NIS thousands)

a. Short-term credit

	Linkage basis	Fixed or variable interest rate	Interest rate in percent	December 31 2025	December 31, 2024
Non- commercial securities	Unlinked	Variable	Bank of Israel interest rate* +0.25%	311,943	300,000
Current maturities of long-term bank loans	Unlinked	Fixed/variable	1.9-5.94	68,449	88,640
				380,392	**388,640**

* On July 18, 2024, the interest rate on the commercial securities was updated to the Bank of Israel interest rate plus 0.25%, replacing 0.5% prior to that date. On January 26, 2026, the interest rate on the commercial securities was updated to the Bank of Israel interest rate plus 0.15%, replacing 0.25%.

b. Long-term liabilities from banks and other credit providers

1) Breakdown (NIS thousands)

Linkage basis	Fixed or variable interest rate	Interest rate as of December 31 2025, in %	Total as of December 31 2025	Current maturities as of December 31, 2025	Total less current maturities as of December 31, 2025	Total Less current maturities as of December 31, 2024
Unlinked	Fixed	1.9-5.35	103,597	68,243	35,354	19,671
Unlinked	Variable	5.94	28,706	206	28,500	-

2) Schedule of payments after the report date (NIS thousands)

	December 31, 2025	December 31, 2024
First year (current maturities)	68,449	88,640
Second year	58,854	17,167
Third year	5,000	2,504
	132,303	108,311

Note 10: Credit from Banks and Others (NIS thousands) (cont.)

c. Non-tradable commercial securities

As of the report date, the Company has a series of non-tradable commercial securities in the amount of NIS 300 million. The commercial securities includes an obligation for redemption at the investor's request upon at least 7 business days in advance. The commercial securities bears annual interest at the Bank of Israel rate plus 0.15% (approximately 4.15% as of the report date), following an additional reduction of 0.1% in the commercial securities interest rate after the date of the financial statements (January 26, 2026). On February 19, 2025, the holders' consent was received to extend the commercial securities period until February 21, 2030.

d. Financial covenants with regard to engagements with banks and others

Within the framework of the Group's agreements with banks for the purpose of obtaining credit, the Group has undertaken to maintain financial covenants as reflected in the Company's financial statements, as detailed below:

1) The ratio of the consolidated net financial debt of the group to financial institutions, including liabilities from bonds issued by the Company (collectively - the “debt”) to the total balance ratio according to the Company's consolidated financial statements shall not exceed 40%.

2) The ratio of the Group's debts, net of cash, to the annual EBITDA, shall not exceed 3.5.

3) Its equity shall not fall below NIS 275 million at any time.

4) Cash balances and short-term investment balances on the balance sheet shall not be less than NIS 50 million. In order to issue the commercial securities, the Company undertook to maintain liquid balances and available credit lines for the commercial securities in an amount of not less than NIS 300 million, of which at least NIS 200 million is in cash or signed credit facilities.

5) The Company has undertaken not to pledge or mortgage, and not to undertake to pledge or mortgage, for the benefit of any third party, any of its assets without obtaining the bank's consent, other than a first degree fixed lien on an asset whose purchase will be financed by that third party for whose benefit the fixed lien shall be registered.

6) The Company undertook not to sell or otherwise transfer any of its assets, in whole or in part, without the prior written consent of the banks, except in the ordinary course of business.

As of the date of the financial statements, the Company is in compliance with the financial covenants.

Note 11: Trade Payables (NIS thousands)

	December 31, 2025	December 31, 2024
Open accounts		
NIS	298,868	288,356
In foreign currency	284,285	252,757
Checks payable	34,540	49,905
Accrued expenses	397,614	335,120
Related parties	2,194	615
	1,017,501	**926,753**

Note 12: Other accounts payable (NIS thousands)

	December 31, 2025	December 31, 2024
Institutions	75,996	77,107
Customer advances	706	1,484
Related parties	-	105
Dividend payable	-	48,277
Other payables and credit balances	11,148	6,658
	87,850	**133,631**

Note 13: Leases

Disclosures for lease transactions in which the Company is the lessee

The Company enters into lease agreements, including leases of buildings and vehicles in the ordinary course of the Company's business.

Most leases of buildings have lease terms of between 3 and 10 years, whereas leases of vehicles have lease terms of 3 years.

Some of the lease agreements entered by the Company include extension and/or cancellation options, as well as variable lease payments.

For details regarding engagement in material lease agreements, see Note 16c.

1. Details regarding lease transactions (NIS thousands)

	Year ended December 31, 2025	Year ended December 31, 2024
Interest expenses for lease liabilities	17,506	11,934
Lease repayments	128,669	129,435

Note 13: Leases (cont.)

2. Disclosures regarding right-of-use assets (NIS thousands)

	Land and buildings	Motor vehicles	Total
Cost			
Balance as of January 1, 2025	**562,865**	**189,123**	**751,988**
Additions during the year			
Additions to right-of-use assets for new leases during the period	51,545	56,658	108,203
Updates to right-of-use assets due to CPI linkage adjustments	16,244	2,980	19,224
Disposals during the year			
Disposals of right-of-use assets for leases terminated during the period	(18,097)	(49,283)	(67,380)
Balance as of December 31, 2025	**612,557**	**199,478**	**812,035**
Accrued depreciation			
Balance as of January 1, 2025	284,373	97,680	382,053
Additions during the year			
Depreciation and amortization	74,869	61,965	136,834
Disposals during the year			
Disposals of right-of-use assets	(18,097)	(47,649)	(65,746)
Balance as of December 31, 2025	**341,145**	**111,996**	**453,141**
Net Balance as of December 31, 2025	**271,412**	**87,482**	**358,894**

3. Analysis of payment dates of lease liabilities (NIS thousands):

	December 31, 2025	December 31, 2024
First year	109,662	115,574
Second year	71,301	75,146
Third year	51,052	39,226
Fourth year	37,866	24,351
Fifth year and thereafter	99,454	118,512
Total discounted lease payments	369,335	372,809
Current maturities	109,662	115,574
Non-current liabilities	259,673	257,235

Note 14: Employee benefit liabilities

Employee benefits include post-employment benefits, other long-term benefits, and severance benefits.

a. Post-employment benefits

Israeli labor laws and the Severance Pay Law require the Company to pay severance to an employee upon termination or retirement, or to make regular deposits in defined contribution plans under Section 14 of the Severance Pay Law, as described below. The Company's liability in this regard is treated as a post-employment benefit. The calculation of the Company's liability for employee benefits is performed in accordance with a valid employment agreement and is based on the employee's salary and duration of employment, which together create the right to receive compensation.
Post-employment benefits for employees are generally financed through deposits classified as a defined benefit plan or a defined contribution plan, as detailed below.

1. Defined contribution plans
   For a portion of severance payments, the conditions of Section 14 of the Severance Pay Law, 5723-1963 apply, under which the Group's regular deposits in pension funds and/or in insurance policies with insurance companies release it from any additional liability to the employees for whom such amounts were deposited as stated above. These deposits, as well as deposits for benefits, constitute defined contribution plans.
2. Defined benefit plans
   The portion of severance payments not covered by deposits in defined contribution plans, as stated above, is treated by the Group as a defined benefit plan under which a liability for employee benefits is recognized, and for which the Group deposits amounts in central severance funds and in qualifying insurance policies.

b. Composition of the defined benefit plan (NIS thousands)

	December 31, 2025	December 31, 2024
Present value of financed obligations	254,340	238,075
Fair value of plan assets	(242,615)	(230,440)
Present value of non- financed obligations - net	**11,725**	**7,635**

Note 14: Employee Benefit Liabilities (cont.)

c. Movement in the fair value of plan assets (NIS thousands)

	2025	2024
Balance at beginning of the year	230,440	227,405
Interest income	8,741	8,550
Actuarial gains	12,669	9,708
Employer contributions	10,310	10,976
Benefits paid	(19,545)	(26,199)
Balance at end of the year	**242,615**	**230,440**

d. Changes in the present value of the defined benefit obligation (NIS thousands)

	2025	2024
Balance at beginning of the year	238,075	236,510
Current service cost	19,953	13,530
Interest expenses	13,871	13,590
Actuarial losses	5,401	6,258
Benefits paid	(22,960)	(31,813)
Balance at end of the year	**254,340**	**238,075**

e. Expenses recognized in the statement of comprehensive income (NIS thousands)

	Year ended December 31, 2025	Year ended December 31, 2024	Year ended December 31, 2023
Current service cost	19,953	13,530	16,175
Interest expenses	13,871	13,590	13,117
Interest income	(5,130)	(5,042)	(8,371)
Actuarial gains	(7,268)	(3,535)	(4,260)
Total expense recognized in the statement of comprehensive income	**21,426**	**18,543**	**16,661**

Note 14: Employee Benefit Liabilities (cont.)

f. The expense is included in the statement of comprehensive income in the following items (NIS thousands)

	Year ended December 31, 2025	Year ended December 31, 2024	Year ended December 31, 2023
Cost of revenues	18,855	16,342	17,055
Selling and marketing expenses	429	371	388
General and administrative expenses	2,143	1,857	1,938

g. Principal actuarial assumptions (in %)

	Year ended December 31, 2025	Year ended December 31, 2024	Year ended December 31, 2023
plan liabilities discount rate	5.7	5.75	5.35
Expected salary increase rate	0-4	0-4	0-4

h. Amounts, timing, and uncertainties of future cash flows (NIS thousands)

	Defined benefit obligation
As of December 31, 2025:	
Sensitivity analysis of changes in expected salary increase amount:	
Change resulting from:	
1 percent salary increase	(774)
1 percent salary decrease	615
Sensitivity analysis for changes in the plan assets and liabilities discount rate:	
Change resulting from:	
1 percent increase in discount rate	584
1 percent decrease in discount rate	(742)

i. Expenses during the period for defined contribution plans (NIS thousands)

	Year ended December 31, 2025	Year ended December 31, 2024	Year ended December 31, 2023
Expense recognized in respect of defined contribution plans	161,449	129,168	103,162

Note 15: Taxes on Income

a. Tax rates applicable to the Group

1) The corporate tax rate in Israel in the years 2023-2025 is 23%. Corporations are subject to tax on real capital gains at the corporate tax rate applicable in the year of sale.

2) The principal tax rates applicable to consolidated companies incorporated outside of Israel are as follows:
Companies incorporated in the US - a weighted tax rate of approximately 27% (federal tax, state tax, and city tax where the company operates).

b. Final tax assessments

The Company and the consolidated companies have final (or deemed final) tax assessments up to and including tax year 2020.

c. Carryforward losses for tax purposes and other temporary differences

The Group has business losses for tax purposes that are carried forward to future years, amounting as of December 31, 2025 to approximately NIS 18,103 thousand. The majority of the carryforward losses relate to companies in Israel, for which the utilization period is not limited in time.

Deferred tax assets were not recognized in respect of business loss carryforwards in the amount of approximately NIS 7,192 thousand, due to the absence of a foreseeable expectation for their utilization.

Note 15: Taxes on Income (cont.)

d. Deferred taxes

1. Composition (NIS thousands)

	Deferred taxes for employee benefits and provision for vacation	Deferred taxes for property, plant, and equipment and intangible assets	Deferred taxes in respect of losses for tax purposes	Deferred taxes for provision for doubtful debts	Deferred taxes for options for employees	Deferred taxes for lease assets* (net)	Deferred taxes for other temporary differences	Total
Balance as of January 1, 2023	**20,767**	**(25,233)**	**20,918**	**2,969**	**228**	**294**	**(1,557)**	**18,386**
Companies consolidated for the first time	170	(4,866)	-	-	-	-	180	(4,516)
Adjustments	-	(548)	-	-	-	-	-	(548)
Equity reserve	(980)	-	-	-	(228)	380	-	(828)
Change recorded in the statement of profit or loss	2,995	6,246	(11,631)	1,031	2,092	(207)	(230)	296
Balance as of December 31, 2023	**22,952**	**(24,401)**	**9,287**	**4,000**	**2,092**	**467**	**(1,607)**	**12,790**
Companies consolidated for the first time	155	(3,224)	-	-	-	-	-	(3,069)
Adjustments	-		-	-	-	-	-	-
Equity reserve	(813)	-	-	-	-	(11)	-	(824)
Change recorded in the statement of profit or loss	3,758	5,438	(2,436)	136	2,401	202	202	9,701
Balance as of December 31, 2024	**26,052**	**(22,187)**	**6,851**	**4,136**	**4,493**	**658**	**(1,405)**	**18,598**
Companies consolidated for the first time	1,126	(4,984)	-	200	-	-	1,945	(1,713)
Adjustments	-	(838)	-	-	-	-	-	(838)
Equity reserve	(1,672)	-	-	-	-	(8)	-	(1,680)
Change recorded in the statement of profit or loss	(3,072)	6,455	(2,807)	362	(1,533)	1,749	4,196	5,350
Balance as of December 31, 2025	**22,434**	**(21,554)**	**4,044**	**4,698**	**2,960**	**2,399**	**4,736**	**19,717**

* The balance as of December 31, 2025 includes deferred tax assets of approximately NIS 84,808 thousand against lease liabilities and deferred tax liabilities of approximately NIS 82,411 thousand against right-of-use assets (as of December 31, 2024, approximately NIS 85,534 thousand and approximately NIS 84,876 thousand, respectively).

Note 15: Taxes on Income (cont.)

d. Deferred taxes (cont.)

2. Deferred taxes in Israel were calculated at a tax rate of 23% expected to apply to the Company upon the reversal of the temporary differences for which they were created (2025 – 23% and 2024 – 23%), and at approximately 27% on assets in the US.

e. Taxes on income included in the statement of comprehensive income (NIS thousands)

	Year ended December 31, 2025	Year ended December 31, 2024	Year ended December 31, 2023
Current Taxes	114,560	107,854	78,691
Deferred taxes	(5,350)	(9,701)	(296)
Prior year's tax adjustments	(2,082)	(3,175)	(64)
	107,128	**94,978**	**78,331**

f. Taxes on income relating to other comprehensive income (NIS thousands)

	Year ended December 31, 2025	Year ended December 31, 2024	Year ended December 31, 2023
Taxes in respect of actuarial gains	(1,672)	(813)	(980)

g. Theoretical tax

The following is a reconciliation between the tax expense that would have applied had all incomes and expenses, gains and losses in the statement of comprehensive income been subject to tax at the statutory tax rate, and the income tax amount recorded in the statement of comprehensive income:

	Year ended December 31, 2025	Year ended December 31, 2024	Year ended December 31, 2023
Income before taxes on income	437,447	383,202	325,186
Statutory tax rate in %	23	23	23
Tax computed at the statutory tax rate	100,613	88,136	74,793
Increase (decrease) in taxes on income resulting from the following:			
Temporary differences	-	-	(345)
Non-deductible expenses (revenues), net and depreciation for tax purposes	5,085	5,417	3,773
First time creation of deferred taxes	-	-	(1,493)
Foreign taxes at different tax rates	3,512	4,600	1,667
Prior year's tax adjustments	(2,082)	(3,175)	(64)
	107,128	**94,978**	**78,331**

Note 16: Liens, guarantees, contingent liabilities, and engagements

a. Liens

As of December 31, 2025, the Company has no liens.

b. Contingent liabilities

1. Legal claims

   As of the report date, there are several legal claims pending against the Company and consolidated companies arising from the ordinary course of business, in a total amount of approximately NIS 7.7 million. In the opinion of the Company's management, based, inter alia, on the opinions of its legal advisors regarding the likelihood of the success of these claims and taking into account insurance coverage that exists for some of the claims, the provisions included in the financial statements to cover the estimated risk resulting from the said claims are sufficient.

2. On December 3, 2023, the Company received a request for document disclosure pursuant to Section 198a of the Companies Law, which was filed with the Economic Department of the Tel Aviv District Court by a person claiming to be a shareholder of the Company against the Company, in order to examine the possibility of filing a derivative claim on behalf of the Company against the Company's CEO and the Company's directors, in connection with the compensation approved for the Company's CEO following the opposition of the general meeting.
   On April 18, 2024, the Company filed its response to the disclosure request. On February 2, 2025, an evidentiary hearing was held regarding the disclosure request.

c. Engagements

1. In January 2022, the Company entered into a lease agreement for a new 19-story building in Kfar Saba, with a total area of approximately 30,000 sqm. The lease agreement is for a period of 10 years in the amount of approximately NIS 200 million (approximately NIS 20 million per year), with two extension options of 5 years each. The building comprises 14 office floors with an area of approximately 16,000 sqm and 5 parking floors with an area of approximately 14,000 sqm, and it serves as the Company's headquarters and its additional divisions. The relocation to the new building was carried out gradually starting from the third quarter of 2024.

2. The subsidiary Babcom has commitments under office lease agreements at several sites throughout the country, with an area of approximately 18,000 sqm, for the amount of approximately NIS 14 million per year.

Note 16: Liens, guarantees, contingent liabilities, and engagements (cont.)

c. Engagements (cont.)

3. The Company and its subsidiaries insure themselves under insurance policies against property and bodily damage, including third-party liability, professional liability insurance, money and CRIME insurance, and dedicated insurance for cyber risks, including third-party cyber insurance.

   In addition, the liability of the directors and officers of the Company and its subsidiaries is insured under a D&O policy, including a D&O Side A DIC policy.

   The said insurance coverages are subject to conditions and indemnification periods and are subject to customary exclusions set forth in the various policies. In the opinion of the Company's management, based on the opinions of its insurance advisors, the Company is not in a state of underinsurance.

d. Engagement with the Company's CEO

During 2022, Mr. Gutman provided the Company with management services under a management services agreement with Revava Management Ltd., through which Mr. Moti Gutman provides CEO services to the Company, which was in effect from January 1, 2018, through December 31, 2022. On December 28, 2022, the Company entered a new employment agreement with Mr. Gutman, for a period of 5 years, from January 1, 2023, through December 31, 2027. Under the new agreement, the Company allocated to Mr. Gutman on February 1, 2023, for no consideration, 375,000 restricted shares (RS). The RS will vest into shares in four annual installments beginning on December 31, 2024, such that 40% vest on December 31, 2024, and the remainder in equal portions each year thereafter through December 31, 2027, but in any event not before the publication date of the Company's periodic financial statements for the preceding year.

e. Guarantees

1. The Company and its subsidiaries are cross-guarantors of one another without limitation in time or amount.
2. As of the report date, the Company and consolidated companies have provided performance guarantees for customers in the amount of approximately NIS 156.3 million.
3. As of the report date, the Company and consolidated companies have provided guarantees for rental payments in the amount of approximately NIS 13.9 million.

Note 17: Equity

a. Composition of share capital (NIS thousands)

	December 31, 2025 Authorized	December 31, 2025 Issued and outstanding	December 31, 2024 Authorized	December 31, 2024 Issued and outstanding
Ordinary shares of NIS 1 par value each	200,000	64,292	100,000	64,176

b. Movement in share capital (ordinary shares of NIS 1 par value)

	2025 Number of shares	2024 Number of shares	2023 Number of shares
Balance as of January 1	64,175,930	64,175,930	63,548,141
Shares from exercise of options and shares from RSU and RS plans	116,281	-	627,789
Balance as of December 31	64,292,211	64,175,930	64,175,930

c. Regarding the issuance of share capital after the report date as part of the completion of the acquisition of Magic, see Note 25 b.

d. Rights attached to shares

Ordinary shares of NIS 1 par value each entitle the holder to voting rights at the general meeting, rights to receive dividends and rights to participate in the distribution of the Company's assets in the event of liquidation. In addition, these shares are traded on the Tel Aviv Stock Exchange.

e. Treasury shares - the Company's shares held by the Company and subsidiaries

The Company's holdings in the Company's shares are as follows:

	December 31, 2025	December 31, 2024
Number of shares held	653,860	653,860
Percentage of issued share capital	1.018%	1.018%

Note 17: Equity (cont.)

f. Dividends to shareholders

Below are the dividend distributions during the reporting period

Date of the board of directors' resolution to approve the distribution	Actual distribution date	Distribution amount per share (in Agorot)	Total distribution amount (NIS thousands)
March 11, 2024	April 15, 2024	127	80,673
May 15, 2024	July 25, 2024	81	51,453
August 8, 2024	October 1, 2024	82	52,088
November 13, 2024	January 6, 2025	76	48,277
March 20, 2025	April 8, 2025	82	52,161
May 12, 2025	July 15, 2025	89	56,627
August 11, 2025	October 20, 2025	85	54,088
November 11, 2025	December 30, 2025	91	57,912

The Company's dividend distribution policy is to distribute dividends annually of up to 75% of the annual net income attributable to shareholders of the Company. The dividend will be distributed on a quarterly basis, subject to compliance with the distribution tests in accordance with the law at each relevant date.

Note 17: Equity (cont.)

g. Group capital management

1. The Company's primary objective in managing capital is to ensure its ability to consistently provide returns to shareholders through capital growth and/or dividend payments. In order to achieve this objective, the Group seeks, among other things, to maintain a leverage ratio that balances risks and returns at a reasonable level, while maintaining a financing base that enables the Group to meet its investment and working capital requirements. In making decisions regarding changes to the Group's capital structure in order to achieve the above objectives, whether through changes in dividend distribution policy, new capital issuances, or reduction of the Group's debt, the Group considers not only its short-term position but also its long-term objectives.

2. In managing the capital/debt structure, the Company regularly monitors its leverage ratios (such as net financial debt to total balance sheet). The Company also works to maintain an efficient and appropriate leverage rate that balances the interests of shareholders and financial debt holders. In addition, the Company strives to create an appropriate balance between long-term/short-term financial debt, as well as between fixed/variable interest rates, while maintaining cash balances and available bank credit facilities.

3. The Company is required to comply with the financial covenants to which it committed vis-a-vis financial institutions and bondholders. As of December 31, 2025 and 2024, the Group complied with the financial covenants.

   Below is a summary of quantitative data regarding financial balance sheet ratios managed by the Company (NIS thousands) for:

	December 31 2025	December 31, 2024
Cash and cash equivalents	902,938	668,495
Liabilities to banks and others	(753,030)	(785,079)
Net cash (financial net debt)	149,908	(116,584)
Total balance sheet	4,606,771	4,479,636
Ratio of debt to total balance sheet	16.3%	17.5%
Financial net debt (net cash) to balance sheet ratio	(3.3%)	2.6%
Total equity	1,214,593	1,144,327
Ratio of equity to total balance sheet	26.4%	25.5%

Note 18: Share-based payment

a. Expense recognized in the financial statements

The expense recognized in the financial statements for services received from employees is presented in the following table (NIS thousands):

	Year ended December 31, 2025	Year ended December 31, 2024	Year ended December 31, 2023
Equity-settled share-based payment plans	8,213	18,026	16,106

Share-based payment transactions granted by the Company to its employees are described below.

b. Existing share-based payment plans at the Company

Grant of restricted shares (RSs) to the CEO of the Company

On December 28, 2022, the Company's engagement in a new employment agreement with Mr. Gutman was approved, for a period of 5 years, from January 1, 2023, through December 31, 2027. Under the new agreement, on February 1, 2023, the Company allocated to Mr. Gutman, for no consideration, 375,000 restricted shares (RS) which are held in trust by a trustee. The RS will vest into shares in four annual tranches starting on December 31, 2024, such that 40% shall vest on December 31, 2024, and the remainder in equal portions each year thereafter through December 31, 2027, but in any event not before the publication date of the Company's periodic financial statements for the preceding year.

Grant of options to officers and senior employees

On March 12, 2023, the Company's Board of Directors approved, following approval by the Compensation Committee, approved the grant of 920,000 options exercisable into up to 920,000 ordinary shares of NIS 1 par value each, for no consideration, to officers and senior employees of the Company or of corporations under its control. The exercise price of the options at the time they were granted was NIS 71.25 (subject to adjustments, including upon dividend distribution). Half of the options will vest on March 12, 2025, a quarter of the remaining options will vest on March 12, 2026, and the balance shall vest on March 12, 2027. The term of the options is 5 years from the grant date. The fair value of the options was estimated at the grant date at NIS 22.38 per option, based on a risk-free interest rate of 3.34%-4.53%, an early exercise factor of 130% and expected volatility of 31%.
Due to the termination of employment of an officer, 67,500 unvested options were forfeited.

Note 18: Share-based payment (cont.)

b. Existing share-based payment plans at the Company (cont.)

On August 9, 2023, the Company's Board of Directors approved, following approval by the Compensation Committee, the allocation of 45,000 options exercisable into up to 45,000 ordinary shares of NIS 1 par value each, to a female officer. The exercise price of the options at the grant date was NIS 73.73 (subject to adjustments, including upon dividend distribution). Half of the options will vest on August 10, 2025, a quarter of the remaining options will vest on August 10, 2026, and the balance will vest on August 10, 2027. The term of the options is 5 years from the grant date. The fair value of the options was estimated at the grant date at NIS 24.4 per option, based on a risk-free interest rate of 4.53%-3.34%, an early exercise factor of 130% and expected volatility of 31%.

On May 15, 2024, the Company's Board of Directors approved, following approval by the Compensation Committee, the allocation of an additional 20,000 options exercisable into up to 20,000 ordinary shares of NIS 1 par value each, to a female officer. The exercise price of the options at the grant date was NIS 78.55 (subject to adjustments, including upon dividend distribution). Half of the options will vest on May 15, 2026, a quarter of the remaining options will vest on May 15, 2027, and the balance will vest on May 15, 2028. The term of the options is 4 years from the grant date. The fair value of the options was estimated at the grant date at NIS 19.05 per option.

c. Movements during the year (NIS thousands)

The following table presents the number of share options, their weighted average exercise price and the changes made in employee stock option plans during the current year:

	Number of options 2025	Weighted average exercise price 2025	Number of options 2024	Weighted average exercise price 2024	Number of options 2023	Weighted average exercise price 2023
Balance of options and RSU/RS at beginning of year	1,315,000	47.18	1,295,000	49.34	398,878	36.49
Options granted during the year	-	-	20,000	76.1	1,340,000	50.70
Options forfeited during the year	(22,500)	64.75	-	-	(45,000)	69.26
Options and RSU exercised during the year	(511,000)	45.68	-	-	(398,878)	26.97
Balance of options and RSU(RS) at end of year	781,500	44.64	1,315,000	47.18	1,295,000	49.34
RSU/RS exercisable within 12 months from the report date	75,000	-	150,000	-	-	-

Note 19: Bonds

a. Issuance of bonds (Series B)

On September 18, 2022, the Company issued bonds (Series B) in a total amount of NIS 295,249 thousand par value, for net proceeds (net of commissions and direct costs of the bond issuance) of approximately NIS 293 million. The principal of the bonds (Series B) shall be repaid in 14 (fourteen) equal semi-annual installments, payable on February 1 and August 1, starting on August 1, 2023, through February 1, 2030. The bonds bear annual interest at a rate of 4.1%, payable twice a year, on February 1 and August 1, starting on February 1, 2023, through February 1, 2030. The bonds are unsecured, and the principal and interest of the bonds are not linked to any index or currency.

On December 4, 2022, the Company issued bonds (Series B) by way of a series expansion, in a total amount of NIS 180,366 thousand par value, for net proceeds of approximately NIS 178.4 million.

As of the report date, the accrued interest payable on the bond's amounts to approximately NIS 5,635 thousand.

1) Covenants whose breach would grant holders the right to call for immediate repayment of the bonds:

In connection with the issuance of the bonds (Series B), the Company undertook that as long as the bonds have not been fully repaid, it shall comply with the following financial covenants:

- The ratio of consolidated net financial debt to total balance sheet pursuant to the Company's consolidated financial statements should not exceed 45% for a period of two consecutive quarters.
- The ratio of consolidated net financial debt to adjusted EBITDA based on the Company's consolidated financial statements shall not exceed 5 for a period of two consecutive quarters.
- The Company's equity, based on consolidated financial statements, will not be less than NIS 275 million for a period of two consecutive quarters.

For this purpose, it is clarified that the highlighted terms mentioned above are defined in the deed of trust for the bonds (Series B) in accordance with the characteristics of the Company.

As of the report date, the Company is in compliance with the financial covenants.

It should be noted that the trust deed for the bonds (Series B) contains covenants whose breach would result in interest rate compensation, covenants relating to the restriction on dividend distribution, and an interest adjustment mechanism in the event of a credit rating downgrade.

Note 19: Bonds (cont.)

2) Main events of default entitling immediate repayment of the bonds:

The bonds (Series B) include events of default entitling immediate repayment, provided that the period prescribed for curing such events has elapsed (as set forth in the bond terms). The key events are as follows:

- Non-compliance with the financial covenants triggering immediate repayment, as detailed above.
- If control of the Company is transferred (as defined in Section 268 of the Companies Law), unless there is no downgrade in the rating of the bonds (Series B) relative to the lower of: the rating at the time of issuance or the rating prior to the transfer of control.
- If the bond rating is lower than BBB minus.
- A change in the Company's primary activity such that the Company's primary activity (according to the assets test) shall not be in the field of activity in which the Company was engaged at the time of issuance.
- Another traded bond series of the Company is called for immediate repayment not at the Company's initiative, or a non-traded bond series (one or more) or a loan (one or more) whose balance at the time of its call for immediate repayment exceeds NIS 275 million, and the said demand for immediate repayment was not withdrawn/repaid within 30 days.
- Additional customary grounds for calling for immediate repayment of bonds, such as liquidation, receivership, cessation of rating, cessation of trading, etc.

b. Carrying amount versus fair value (NIS thousands)

Balance of Book Value December 31, 2025	Fair value December 31, 2025
308,784	310,499

c. The following are the maturity dates of the bonds as of December 31, 2025:

	December 31, 2025
First year (current maturities)	78,597
Second year	72,572
Third year	66,917
Fourth year	61,611
Fifth year and thereafter	29,087
	308,784

d. For details regarding the issuance of convertible bonds (Series 2) after the report date, see Note 25 a.

Note 20: Financial instruments

a. Classification of financial assets and financial liabilities (NIS thousands)

The classification of financial assets and financial liabilities in the balance sheet into categories of financial instruments in accordance with IFRS 9 is presented below:

	December 31, 2025	December 31, 2024
Financial assets		
Financial assets at fair value through profit or loss:		
Financial assets	14,383	17,105
Trade receivables and other receivables*	1,813,724	1,934,982
Financial liabilities		
Financial liabilities measured at amortized cost	2,751,497	2,727,782
Financial liabilities at fair value through profit or loss	147,736	125,687

(*) Their amortized cost represents a reasonable approximation of their fair value.

b. Financial risk factors

The Group's activities expose it to various financial risks, such as: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on minimizing potential adverse effects on the Group's financial performance.

The Board of Directors has not established a specific policy for certain financial risk exposures; however, the Group's finance department, headed by the CFO, identifies, evaluates and manages financial risks such as credit risk, exchange rate risk, interest rate risk (including the use of derivative and non-derivative financial instruments and investment of surplus liquidity).

Note 20: Financial instruments

b. Financial risk factors - cont.

1) Market risks

a) Foreign currency risk

Exchange rate risk arises from transactions, recognized assets and recognized liabilities denominated in a foreign currency that is not the functional currency, as well as from net investments in foreign operations.

The Group's policy is to allow Group entities to settle liabilities denominated in their functional currency (primarily NIS) using cash flows generated from each entity's operations. When Group entities have liabilities denominated in a currency other than their functional currency (and the entity does not have sufficient cash balances in that currency to settle the liability), the Group, where possible, transfers currency cash balances from one entity to another within the Group.

The Marketing and Support of Software Products segment and the Cloud and Computing Infrastructures segment are exposed to currency risks in connection with purchases from suppliers located in the US, on an ongoing basis and in the ordinary course of the Company's business. In addition, the Company has engagements in projects for the provision of services and development activities with foreign customers, denominated in US dollars. The impact of exchange rate volatility on the dollar-denominated liability balance is offset by the dollar-denominated asset balance. In addition, the Group examines and executes hedging transactions to protect against currency exposure (as of the report date, in amounts that are not material relative to the Company's overall scope of operations).

As of the reporting date, the Group has a net asset balance denominated in U.S. dollars in the amount of NIS 95,012 thousand (NIS 140,030 thousand in 2024). This includes the Group's investment in foreign operations, whose net financial assets are exposed to possible changes in the dollar exchange rate. The currency exposure arising from the net financial assets of the US foreign operations is also managed primarily by the CFO.

In 2025, the Company recorded other comprehensive losses from translation of financial statements of foreign operations (primarily the US subsidiaries), net of hedging activity charged to a capital reserve, in approximately NIS 48.9 million. This resulted from the depreciation of the dollar exchange rate against the shekel at a rate of approximately 12.5% in 2025.

Note 20: Financial instruments (cont.)

b. Financial risk factors - cont.

1) Market risks (cont.)

b) Interest rate risk

The Group's interest rate risk rises primarily from long-term borrowings. Borrowings bearing variable interest rates (including on-call loans and commercial paper) expose the Group to cash flow interest rate risk. Most of the long-term loans taken by the Company in recent years, including the bonds (Series B) issued by the Company during 2022, bear fixed interest, which reduces the Group's exposure to changes in interest rates.

Below is a breakdown regarding the type of interest applicable to the Group's interest-bearing financial instruments, including lease liabilities (NIS thousands):

	December 31, 2025	December 31, 2024
Fixed-rate instruments		
Financial liabilities	(781,716)	(857,888)
Variable-rate instruments		
Financial liabilities	(340,649)	(300,000)

2) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises primarily from the Group's customers as well as from investments in corporate bonds.

a) Trade receivables

Before accepting new customers, the Group performs a credit check through a reliable external source. Based on this information, payment terms and credit limits are determined and approved according to the size of the customer. Credit limit overruns are approved (in accordance with procedures) based on the extent of the requested overrun and the Company’s past experience with the respective customer. Customers who consistently fail to meet the payment terms are required to pay in advance for additional purchases until their credit rating can be reassessed.

Impairment testing is performed at each reporting date on a specific basis.

b) Investment in cash and cash equivalents

The Company holds cash and cash equivalents, short-term and long-term investments and other financial instruments at various financial institutions. In accordance with the Company's policy, ongoing assessments of the relative credit stability of the various financial institutions are performed.

As of December 31, 2025, cash and cash equivalents amounted to approximately NIS 902,938 thousand (NIS 668,495 thousand in 2024).

Note 20: Financial instruments (cont.)

3) Liquidity risk

Liquidity risks arise from the management of the Group's working capital as well as from financing expenses and principal repayments of the Group's debt instruments. Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities as they fall due.

The Group's policy is to ensure that cash held will always be sufficient to cover liabilities as they fall due. In order to achieve this objective, the Group strives to hold cash balances (or adequate credit lines) to meet anticipated requirements. The Company finances business combinations through long-term loans averaging 3-6 years and through bond issuance proceeds.

The Company has an Aa3 issuer rating with a stable rating outlook.

In the Company's assessment, it expects to have sufficient liquid resources to cover all of its obligations under reasonable assumptions.

The table below presents an analysis of the expected maturity dates of financial liabilities.

As of December 31, 2025 (NIS thousands):

	First year	Second year	Third year	Fourth year	Fifth year and thereafter	Total
Trade payable	1,017,501	-	-	-	-	1,017,501
Other payable	104,144	-	-	-	-	104,144
Employees and payroll accruals	507,487	-	-	-	-	507,487
Loans from banks and other credit providers(*)	380,392	58,854	5,000	-	-	444,246
Lease liabilities	109,662	71,301	51,052	37,866	99,454	369,335
Bonds	78,597	72,572	66,917	61,611	29,087	308,784
	2,197,783	202,727	122,969	99,477	128,541	2,751,497

The above table does not include liabilities in respect of PUT options to holders of non-controlling interests and liabilities in respect of business acquisitions.

Note 20: Financial instruments (cont.)

As of December 31, 2024 (NIS thousands)

	First year	Second year	Third year	Fourth year	Fifth year and thereafter	Total
Trade payable	926,753	-	-	-	-	926,753
Other payable	132,146	-	-	-	-	132,146
Employees and payroll accruals	510,995	-	-	-	-	510,995
Loans from banks and other credit providers(*)	388,640	17,167	2,504	-	-	408,311
Lease liabilities	115,574	75,146	39,226	24,351	118,512	372,809
Bonds	81,341	75,197	69,433	64,017	86,780	376,768
	2,155,449	167,510	111,163	88,368	205,292	2,727,782

The above table does not include liabilities in respect of PUT options to holders of non-controlling interests and liabilities in respect of business acquisitions

(*) Short-term repayments (first year) include non-commercial securities, which is redeemable by the holders at any time, and which, pursuant to its terms, will be due for final repayment in February 2030.

Note 20: Financial instruments (cont.)

c. Fair value

The balance in the financial statements of cash and cash equivalents, short-term investments, trade receivables, other receivables and debit balances, short-term loans granted, credit from banking corporations and others, trade payables and other payables and credit balances is approximate or is close to their fair value.

Non-marketable short-term interest-bearing assets and liabilities with a fixed maturity date	Their carrying amount reflects their fair value at the reporting date, as their average interest rate does not differ materially from the market interest rate for similar items at the reporting date.
Assets and liabilities with no fixed maturity date	The fair value is determined based on the amount payable on demand at the reporting date.
Variable interest rate assets and liabilities	The fair value of variable-rate assets and liabilities that do not involve material credit risk is based on their carrying amount.
Long-term fixed-rate loans	The fair value of long-term loans bearing fixed interest is based on the present value calculation of cash flows at an interest rate applicable to similar loans with similar characteristics.
Liabilities for options to holders of non-controlling interests	The fair value is based on the market price. In the absence of a market price, the fair value is based on economic models.
Guarantees and loan commitments	The fair value is based on the payment required at the reporting date to enter into similar agreements, taking into account the remaining term of the agreement and the creditworthiness of the parties to the contract.

Note 20: Financial instruments (cont.)

d. Classification of financial instruments by fair value hierarchy

Financial instruments presented in the statement of financial position at fair value are classified into groups with similar characteristics, according to the following fair value hierarchy determined by the source of data used to determine fair value:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable directly or indirectly.
Level 3: Inputs that are not based on observable market data (valuation techniques without the use of observable market data).

Financial assets measured at fair value (NIS thousands)

	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss:			
Investment in an investee company	-	-	14,383
	-	-	14,383

31 December 2025

Financial liabilities measured at fair value (NIS thousands)

	Level 1	Level 2	Level 3
Financial liabilities at fair value through profit or loss:			
Liabilities for put options for non-controlling interests	-	-	128,360
Liabilities in respect of business combinations	-	-	19,376
	-	-	147,736

Note 20: Financial instruments (cont.)

December 31, 2024

Financial liabilities measured at fair value (NIS thousands)

	Level 1	Level 2	Level 3
Financial liabilities at fair value through profit or loss:			
Liabilities for put options for non-controlling interests	-	-	107,072
Liabilities in respect of business combinations	-	-	18,615
	-	-	125,687

e. Sensitivity tests for changes in market factors (NIS thousands)

	December 31, 2025	December 31 2024
Sensitivity test for changes in interest rates		
Gain (loss) from the change		
An increase of 1% in interest rates	3,285	(3,000)
A decrease of 1% in interest rates	(3,285)	3,000

	December 31, 2025	December 31 2024
Sensitivity test to changes in the US dollar exchange rate		
Gain (loss) from the change		
A 5% increase in exchange rates	4,751	7,002
A 5% decrease in exchange rates	(4,751)	(7,002)

Sensitivity tests and principal working assumptions

The selected changes in the relevant risk variables were determined in accordance with management's assessments regarding reasonably possible changes in these risk variables.

Note 20: Financial instruments (cont.)

The Company performed sensitivity tests for key market risk factors that could affect the reported results of operations or financial position. The sensitivity tests present the profit or loss and/or the change in equity (before tax), for each financial instrument for the relevant risk variable selected for it as of each reporting date. The examination of risk factors was performed based on the materiality of the exposure of the results of operations or the financial position for each risk factor in relation to the functional currency and assuming all other variables remain constant.

For long-term loans (including bonds) at fixed interest rates, the Group has no exposure to interest rate risk.

For long-term variable-rate loans, the sensitivity test for interest rate risk was performed only on the variable component of interest.

Note 20: Financial instruments (cont.)

f. Changes in liabilities arising from financing activities - 2025

	Balance As of January 1, 2025	Receipt	Repayment	Effect of changes in exchange rates	Effect of changes in fair value	Dividend to non-controlling interest holders	Consolidation	Other changes	Balance As of December 31, 2025
Short-term loans and loans from other credit providers	300,000	-	-	-	-	-	-	11,943	311,943
Long-term loans (including current maturities)	108,311	148,500	(125,105)	-	-	-	-	597	132,303
Bonds	376,768	-	(67,918)	-	-	-	-	(66)	308,784
Liabilities for put options for non-controlling interests	107,072	-	(1,827)	-	12,755	(8,831)	25,702	(6,511)	128,360
Liabilities in respect of business combinations	18,615	-	(3,418)	-	3,481	-	-	698	19,376
Lease liabilities	372,809	-	(128,669)	5	-	-	-	125,190	369,335
Total liabilities deriving from financial activities	**1,283,575**	**148,500**	**(326,937)**	**5**	**16,236**	**(8,831)**	**25,702**	**131,851**	**1,270,101**

Note 20: Financial instruments (cont.)

f. Changes in liabilities arising from financing activities - 2024

	Balance As of January 1, 2024	Receipt	Repayment	Effect of changes in exchange rates	Effect of changes in fair value	Dividend to non-controlling interest holders	Consolidation	Other changes	Balance As of December 31, 2024
Short-term loans and loans from other credit providers	224,019	100,000	(24,019)	-	-	-	-	-	300,000
Long-term loans (including current maturities)	287,705	-	(179,003)	-	-	-	-	(391)	108,311
Bonds	444,506	-	(67,918)	-	-	-	-	180	376,768
Liabilities for put options for non-controlling interests	88,136	-	(1,124)	-	15,321	(17,505)	-	22,244	107,072
Liabilities in respect of business combinations	3,771	-	(11,561)	-	(1,741)	-	28,146	-	18,615
Lease liabilities	215,756	-	(129,435)	5	-	-	-	286,483	372,809
Total liabilities deriving from financial activities	**1,263,893**	**100,000**	**(413,060)**	**5**	**13,580**	**(17,505)**	**28,146**	**308,516**	**1,283,575**

Note 21: Additional details on the statements of comprehensive Income

a. Revenues (NIS thousands)

	Year ended December 31 2025	Year ended December 31, 2024	Year ended December 31, 2023
IT Solutions and Services, Consulting, and Management in Israel	3,744,439	3,227,608	3,028,576
IT Solutions and Services in the US	457,664	460,024	478,380
Marketing and Support of Software Products	427,612	425,971	294,236
Cloud and Computing Infrastructures	1,609,225	1,465,935	1,430,913
	6,238,940	**5,579,538**	**5,232,105**

b. Cost of revenues and services (NIS thousands)

	Year ended December 31 2025	Year ended December 31, 2024	Year ended December 31, 2023
Purchases	1,606,465	1,292,997	1,308,980
Wages and related expenses	2,857,305	2,596,741	2,410,043
Subcontractors	599,082	573,348	523,870
Depreciation and amortization	122,534	120,491	128,431
Motor vehicles	47,509	53,621	50,186
Maintenance and other expenses	51,087	65,118	74,178
	5,283,982	4,702,316	4,495,688
Decrease (increase) in inventories	15,291	44,228	(27,763)
	5,299,273	**4,746,544**	**4,467,925**

c. Selling and marketing expenses (NIS thousands)

	Year ended December 31 2025	Year ended December 31, 2024	Year ended December 31, 2023
Wages and related expenses	149,777	134,274	124,775
Amortization	28,915	22,168	26,720
Advertising and marketing	23,830	23,183	22,680
Subcontractors	5,432	5,219	6,725
Other expenses	10,889	11,387	8,798
	218,843	**196,231**	189,698

Note 21: Additional details on the statements of comprehensive Income (cont.)

d. General and administrative expenses (NIS thousands)

	Year ended December 31 2025	Year ended December 31, 2024	Year ended December 31, 2023
Wages and related expenses	120,251	116,788	109,588
Depreciation and amortization	47,652	44,151	48,468
Doubtful accounts and bad debts	1,706	3,281	4,135
Capital gain from disposal of property, plant, and equipment	(296)	(301)	(322)
Other expenses	29,373	22,770	19,194
	198,686	186,689	181,063

e. Financial income and expenses (NIS thousands)

Composition

	Year ended December 31 2025	Year ended December 31, 2024	Year ended December 31, 2023
Financial expenses			
Interest and commission expenses	45,212	45,526	54,035
Net foreign exchange differences	23,090	14,321	1,403
Expenses related to a liability in connection with the acquisition of operations and the revaluation of PUT options	19,168	15,522	11,965
Expenses related to lease and actuarial obligation	17,506	11,587	15,335
	104,976	86,956	82,738
Financial income			
Interest income	20,285	20,084	14,505
	20,285	20,084	14,505

Note 22: Net earnings per share

The following are the net profit data and the par value of the shares taken into account for the calculation of basic and fully diluted earnings per ordinary share of NIS 1 par value, as well as the adjustments made for the computation of basic and diluted earnings per share:

	Year ended December 31 2025	Year ended December 31, 2024	Year ended December 31, 2023
Calculation of basic net income per share			
Net income attributable to equity holders of the Company (NIS thousands)	307,281	272,422	227,333
Weighted average number of shares	63,606,376	63,522,076	63,477,904
Basic net income per share (NIS)	**4.83**	**4.29**	**3.58**
Calculation of diluted net income per share			
Net income attributable to equity holders of the Company (NIS thousands)	307,281	272,422	227,333
Weighted average number of shares for calculation of basic net income per share	63,606,376	63,522,076	63,477,904
Effect of dilutive potential ordinary shares	232,229	-	44,172
Adjusted weighted average number of shares	63,838,605	63,522,076	63,522,076
Diluted net income per share (NIS)	**4.81**	**4.29**	**3.58**

Note 23: Interested parties and related parties

a. Balances

December 31, 2025 (NIS thousands)

	Note	The controlling shareholder and its subsidiaries
Trade receivables	5	8,530
Trade payables, other payables and credit balances	11,12	2,194

December 31, 2024 (NIS thousands)

	Note	The controlling shareholder and its subsidiaries
Trade receivables	5	16,963
Trade payables, other payables and credit balances	11,12	615

b. Benefits to key management personnel

1. Compensation to key management personnel[1] (NIS thousands)

	No. of key managers Year ended December 31 2025	Year ended December 31 2025	No. of key managers Year ended December 31 2024	Year ended December 31 2024	No. of key managers Year ended December 31 2023	Year ended December 31 2023
Share-based payment[2]	18	4,217	18	8,286	18	6,339

1 Excluding the Company's CEO. For details regarding compensation to the Company's CEO, see subsection (2) below.

2 See also Note 18.

Note 23: Interested parties and related parties (cont.)

b. Benefits to key management personnel (cont.)

2. Salary and benefits to interested parties (NIS thousands)

	No. of key managers Year ended December 31 2025	Year ended December 31 2025	No. of key managers Year ended December 31 2024	Year ended December 31 2024	No. of key managers Year ended December 31 2023	Year ended December 31 2023
Salaries and related expenses paid to executives	1	18,179	1	23,664	1	21,384
Remuneration for services of a director on behalf of the controlling shareholder	1	109	1	107	1	98
Remuneration for services of independent directors	4	937	54	744	3	451

c. Transactions with related parties and interested parties

1. Immaterial transactions

In accordance with the Company's procedures, a negligible transaction is a transaction in the ordinary course of the Company's business and at market terms (determined by comparison with similar transactions of the Company with unrelated parties), and which, in the absence of an exceptional qualitative indicator, its financial scope, according to the relevant benchmark for the transaction, is less than 0.5%. Such negligible transactions are approved by the person responsible for the transaction, following review by the legal counsel or the internal enforcement officer. During the reporting period, negligible transactions of the following types were entered into and/or were in effect: sale and purchase of software products, hardware and consulting services, and the provision and receipt of various information technology services (such as hardware, training, cloud, development and testing).

Note 23: Interested parties and related parties (cont.)

2. Non-extraordinary transactions

A transaction that is not an "extraordinary transaction" with a controlling shareholder or in which a controlling shareholder has a personal interest, is submitted for classification and approval by the audit committee, unless it was approved pursuant to the "criteria and procedure for approval of non-extraordinary transactions with interested parties" procedure. Under this procedure, an engagement for the purchase or sale of a product or service, with an interested party in the Company or with another party in which the interested party in the Company has a personal interest, made in the ordinary course of the Company's business (including companies under the Company's control), which, in the absence of special qualitative considerations arising from the overall circumstances, shall be deemed an immaterial transaction, provided that the relevant benchmarks calculated for the transaction do not exceed 5% (the "materiality presumption"). For each transaction subject to materiality examination, one or more of the relevant benchmarks for the transaction shall be calculated, with reference to the relevant data in the most recent annual financial statements. In accordance with the procedure, such transactions are approved based on a comparison of their terms with those of similar transactions of the Company with unrelated parties.

c. Transactions with related parties and interested parties (cont.)

Such transactions are approved by the internal enforcement officer or the Company's CEO, following reviews by the legal counsel or the internal enforcement officer.

For the purpose of monitoring the implementation of the procedure, a summary report of all transactions approved in accordance with the provisions of the said procedures is submitted to the Audit Committee for its review once every six months. In addition, once a year, the Audit Committee holds a discussion regarding the need to update the benchmarks for the approval of non-extraordinary transactions and the appendix of criteria for classifying an engagement as a negligible transaction as aforesaid. On March 12, 2026, the Audit Committee held a discussion on the matter, in which it reviewed the summary report and did not identify any deviation from the provisions of the procedure, and also approved the said procedures.

During 2025, the Company entered transactions with the controlling shareholder and its subsidiaries, totaling NIS 30,465 thousand (commercial transactions in the ordinary course of business), all of which constitute negligible transactions.

No extraordinary transactions were entered into with the controlling shareholder and its subsidiaries during the year (other than the merger transaction with Magic as detailed in Note 25(b)).

Note 23: Interested parties and related parties (cont.)

For the year ended December 31, 2025 (NIS thousands)

	Interested parties who are non-controlling shareholders[1]	The controlling shareholder and its subsidiaries[2]
Training services	1,450	97
Cloud services	16	11,427
Development and testing services	61,298	4,435
Software products	7,819	1,880
Infrastructure (hardware)	4,931	9,742
Rent	-	91
Procurement of maintenance	-	41
Procurement of infrastructure	-	2,752

1 Migdal, Harel and Phoenix.

2 Formula, Sapiens and its subsidiaries, Magic and its subsidiaries, Zap, Michpal, Unique, Shemered, TSG and Ofek Aerial Photography.

For the year ended December 31, 2024 (NIS thousands)

	Interested parties who are non-controlling shareholders[1]	The controlling shareholder and its subsidiaries[2]
Training services	1,187	80
Cloud services	21	15,207
Development and testing services	67,951	5,874
Software products	13,365	2,092
Infrastructure (hardware)	18,276	22,418
Rent	-	46
Procurement of development services	-	1,976
Procurement of maintenance	-	98
Procurement of infrastructure	-	852
Procurement of training services	-	47

Note 23: Interested parties and related parties (cont.)

For the year ended December 31, 2023 (NIS thousands)

	Interested parties who are non-controlling shareholders[1]	The controlling shareholder and its subsidiaries[2]
Training services	767	59
Cloud services	104	11,646
Development and testing services	1,874	2,164
Software products	11,461	1,643
Infrastructure (hardware)	-	9,265
Rent	-	52
Call center services	-	-
Procurement of development services	14,308	996
Procurement of maintenance	-	17
Procurement of consulting services	-	-

1 Migdal, Harel and Phoenix.

2 Formula, Sapiens and its subsidiaries, Magic and its subsidiaries, Zap Michpal, Unique, Shamrad, TSG and Ofek Aerial Photography.

Note 24: Operating segments

a. General

The operating segments were determined based on the information reviewed by the chief operating decision maker (CODM) for the purpose of making decisions regarding resource allocation and performance evaluation. Accordingly, for management purposes, the Group is structured by operating segments based on the nature of the products and services and the geographic location of the business units.

The Company operates directly and through its subsidiaries, and has the following operating segments:

IT Solutions and Services, Consulting, and Management in Israel;

IT Solutions and Services in the US;

Cloud and Computing Infrastructures;

Marketing and Support of Software Products.

Below is a description of the activities included in each of the operating segments:

IT Solutions and Services, Consulting, and Management in Israel

Operations in this segment include a wide range of technological and other solutions and services in the areas of enterprise core systems, Data and AI, cybersecurity, digital and more. These solutions include the development of large-scale technological systems and the provision of related services, execution of computing and software integration projects, development of operational solutions and systems – C4 ISR for defense entities in Israel and worldwide, outsourcing services and professional services of experts and consultants, Offshore/Nearshore services, BPO and Call Center services, software project management, software development, software testing and QA, as well as improvement and upgrade of existing technological systems, and the provision of training and implementation services. In addition, operations in this segment include management consulting and multidisciplinary engineering and operational consulting services, including supervision of complex engineering projects and in particular transportation infrastructure projects.

IT Solutions and Services in the US

Operations in this segment are carried out through two arms – MATRIX US HOLDING and XTIVIA, each of which holds a number of subsidiaries in the US. Operations include the provision of technology solutions and services in the areas of enterprise core systems, Data and AI, cybersecurity, digital, cloud, development and more.

Note 24: Operating segments (cont.)

a. General (cont.)

Marketing and Support of Software Products

Operations in this segment mainly include the sale and distribution of software products (mainly of foreign software manufacturers) in various and diverse fields, such command-and-control products, information security, communication solutions, virtualization, knowledge management products, artificial intelligence solutions, customer databases, as well as implementation projects, training, support and maintenance of integrated products and systems.

Cloud and Computing Infrastructures

The Company's operations in this segment mainly include the provision of a variety of cloud solutions and services (through the Company's specialized cloud business unit – CloudZone) – sale, service and support of cloud products and services, design and implementation of cloud computing environments and migration to cloud, managed services in the cloud and DevOps, and consulting services in the field of cloud and computing infrastructures.

b. Geographic information (NIS thousands)

Revenues reported in the financial statements were generated in the Company's country of residence (Israel) and outside it, based on the location of the trade receivable, as follows:

	Year ended December 31, 2025	Year ended December 31, 2024	Year ended December 31, 2023
Israel	5,667,670	5,089,923	4,647,634
Abroad	571,270	489,615	584,471
	6,238,940	5,579,538	**5,232,105**

Balances in the financial statements of fixed assets (property, plant, and equipment, right-of-use assets and intangible assets) by country of domicile (Israel) and outside it, based on the location of the assets (NIS thousands):

	December 31, 2025	December 31, 2024
Israel	1,268,308	1,225,603
Abroad	261,136	291,829
	1,529,444	**1,517,432**

Note 24: Operating segments (cont.)

c. Report on operating segments

For the year ended December 31, 2025 (NIS thousands)

	IT Solutions and Services, Consulting, and Management in Israel	Marketing and Support of Software Products	Cloud and Computing Infrastructures	IT Solutions and Services in the US	Adjustments	Total
Revenues from non-related parties	3,744,439	427,612	1,609,225	457,664	-	6,238,940
Intersegmental revenues	76,803	12,770	36,124	982	(126,679)	-
Total revenues	3,821,242	440,382	1,645,349	458,646	(126,679)	6,238,940
Segmental operating results	291,476	55,107	125,813	69,376	(19,634)	522,138
Financial expenses						(104,976)
Financial income						20,285
Taxes on income						(107,128)
Net income						330,319
Additional information						
Cost of revenues	3,264,019	373,389	1,472,128	316,416	(126,679)	5,299,273
Depreciation and amortization	153,008	4,534	39,577	1,982	-	199,101

Note 24: Operating segments (cont.)

For the year ended December 31, 2024 (NIS thousands)

	IT Solutions and Services, Consulting, and Management in Israel	Marketing and Support of Software Products	Cloud and Computing Infrastructures	IT Solutions and Services in the US	Adjustments	Total
Revenues from non-related parties	3,227,608	425,971	1,465,935	460,024	-	5,579,538
Intersegmental revenues	109,659	30,794	49,996	915	(191,364)	-
Total revenues	3,337,267	456,765	1,515,931	460,939	(191,364)	5,579,538
Segmental operating results	250,113	45,364	106,405	66,865	(18,673)	450,074
Financial expenses						(86,956)
Financial income						20,084
Taxes on income						(94,978)
Net income						288,224
Additional information						
Cost of revenues	2,893,978	374,515	1,357,891	311,524	(191,364)	4,746,544
Depreciation and amortization	148,210	6,640	26,997	4,964	-	186,811

Note 24: Operating segments (cont.)

For the year ended December 31, 2023 (NIS thousands)

	IT Solutions and Services, Consulting, and Management in Israel	Marketing and Support of Software Products	Cloud and Computing Infrastructures	IT Solutions and Services in the US	Adjustments	Total
Revenues from non-related parties	3,028,576	294,236	1,430,913	478,380	-	5,232,105
Intersegmental revenues	90,917	35,491	83,106	8,809	(218,323)	-
Total revenues	3,119,493	329,727	1,514,019	487,189	(218,323)	5,232,105
Segmental operating results	205,658	36,123	87,957	76,168	(12,487)	393,419
Financial expenses						(82,738)
Financial income						14,505
Taxes on income						(78,331)
Net income						246,855
Additional information						
Cost of revenues	2,736,576	258,425	1,365,533	325,714	(218,323)	4,467,925
Depreciation and amortization	139,659	6,553	52,491	4,916	-	203,619

Note 25: Events after the balance sheet date

a. Issuance of convertible bonds (Series 2)

On February 4, the Company completed an issuance of convertible bonds (Series 2) with a nominal value of NIS 297 million, for gross proceeds of NIS 300.6 million. The bonds bear annual interest at a rate of 0.5% and will mature in a single payment on February 1, 2031. The convertible bonds (Series 2) are convertible on any trading day, such that each NIS 180 nominal value of bonds is convertible into one ordinary share of the Company (subject to customary adjustments, including adjustments for dividend distributions).

1) Covenants whose breach would grant holders the right to call for immediate repayment of the bonds:

In connection with the issuance of the bonds (Series 2), the Company undertook that as long as the bonds have not been fully repaid, it shall comply with the following financial covenants:

- The ratio of consolidated net financial debt to total balance sheet pursuant to the Company's consolidated financial statements should not exceed 45% for a period of two consecutive quarters.
- The ratio of consolidated net financial debt to adjusted EBITDA pursuant to the Company's consolidated financial statements shall not exceed 5 for a period of two consecutive quarters.
- The Company's equity pursuant to the Company's consolidated financial statements shall not fall below NIS 400 million for a period of two consecutive quarters.

In this regard, it should be clarified that the bold terms mentioned above were defined in the trust deed for the bonds (Series 2) in accordance with the Company's characteristics.
As of the report date, the Company is in compliance with the financial covenants.
It should be noted that the trust deed for the bonds (Series 2) contains covenants whose breach would result in interest rate compensation, covenants regarding non-distribution of dividends, and a mechanism for interest rate adjustment upon a rating downgrade.

Note 25: Events after the balance sheet date (cont.)

2) Key grounds for calling for immediate repayment of the bonds:

The bonds (Series 2) include grounds for calling for immediate repayment, provided that the period prescribed for curing the said events has elapsed (as set forth in the bond terms). The main events are as follows:

- Non-compliance with the financial covenants for immediate repayment, as detailed above.
- If control of the Company is transferred (as defined in Section 268 of the Companies Law), unless there is no downgrade in the rating of the bonds (Series 2) relative to the lower of: the rating at the time of issuance or the rating prior to the transfer of control.
- If the bond rating is lower than BBB minus.
- A change in the Company's primary activity such that the Company's primary activity (according to the assets test) shall not be in the fields of activity in which the Company was engaged at the time of issuance.
- Another traded bond series of the Company was called for immediate repayment not at the Company's initiative, or a non-traded bond series (one or more) or a loan (one or more) whose balance at the time of its call for immediate repayment exceeds NIS 275 million, and the said demand for immediate repayment was not withdrawn/repaid within 30 days.
- Additional customary grounds for calling for immediate repayment of bonds, such as liquidation, receivership, cessation of rating, cessation of trading, etc.

b. Completion of the merger transaction with Magic

Further to the Company’s immediate reports dated March 11, 2025 (Reference No.: 2025-01-015939) and November 3, 2025 (Reference No.: 2025-01-083233), regarding the execution of a merger agreement between the Company and Magic Software Enterprises Ltd. (“Magic”), on February 24, 2026, the transaction was completed following the fulfillment of the conditions precedent set forth in the merger agreement.

As part of the merger, which was carried out by way of a reverse triangular merger, the Company acquired the entire issued and paid-up share capital of Magic, and as of the completion date of the merger, Magic became a wholly owned (100%) subsidiary of the Company. Upon completion of the transaction, Magic’s shares were delisted from trading on NASDAQ and on the Tel Aviv Stock Exchange, and Magic ceased to be a public company.

For a description of the key terms of the transaction and the merger agreement, see the immediate reports referred to above. For a description of Magic's operations, including segments, customers and backlog, see Section 20 of Chapter A "Description of the Corporation's Business" of this Report. For pro-form financial information (unaudited) regarding the consolidated results of the two companies, see Section 2 of Chapter B "Board of Directors' Report".