



Matrix IT Ltd.

Quarterly Report as of
March 31, 2026



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CHAPTER A

Board of Directors' Report for the three months ended March 31, 2026

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.

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1 The Board of Directors' Explanations for the State of the Corporation's Affairs

1.1 Key information from the Corporation's business description

1.1.1 General

Matrix IT Ltd., together with its subsidiaries, is the leading information technology (IT) company in Israel. Matrix is a global company operating in the fields of IT services and solutions, software products and IT infrastructure, consulting, and management in Israel and internationally.

Matrix Group employs about 17,000 professionals in software, hardware, engineering, integration and training, providing advanced IT and management services to thousands of customers in Israel and internationally.

In February 2026, the Company completed the acquisition of the entire share capital of Magic Software Enterprises Ltd. ("Magic"), by way of a reverse triangular merger.

In accordance with accounting principles, the Magic acquisition transaction (which is considered a business combination under common control) was accounted for using the pooling-of-interests approach, according to which Magic's assets and liabilities are consolidated at their carrying amount as included in the financial statements of the controlling shareholder. Furthermore, upon initial consolidation, the comparative figures are presented as if Magic had been consolidated in the Company's financial statements since its acquisition by the controlling shareholder.

1.1.2 Description of operating segments

Following the completion of the Magic acquisition, the Company updated its reportable operating segments.

Accordingly, as of this date, the Group reports according to three operating segments, as follows:

Operating segment	Main business activities
IT Solutions, Software Products & Services, and Systems Engineering – Israel	IT solutions and services in Israel, sale and marketing of software products in Israel, the defense sector, the engineering sector, and BPO and call center services
IT Solutions and Software Products & Services – International	IT Solutions and Services – international, governance, risk, and compliance (GRC) solutions for financial institutions, international sale and marketing of software products, and Magic Software Core Business
Cloud Solutions, IT Infrastructure & Systems – Israel and International	Sales and marketing of hardware and infrastructure, cloud operations, and sale and marketing of advanced technological solutions

Following the change in segment structure resulting from the merger transaction, comparative figures for prior periods have been reclassified. For further information about the Group's operating segments and the areas of activity included therein, see also Note 3 to the financial statements.

1.1.3 Business environment¹

The business environment in which the Company operates is directly affected by global and local trends and events, the most significant of which are presented below.

A. Global economic environment

As of the reporting date, following several years of economic stabilization, declining inflation, and the subsequent reduction in interest rates, several factors have again begun to generate inflationary pressures, including the escalation of wars and geopolitical conflicts (such as the war with Iran and its impact on rising energy prices), as well as the tariff policies implemented by the U.S. Administration.

In the U.S. market, the annual inflation rate stands at 3.3% (March 2026, LTM) and the Federal Reserve interest rate stands at 3.75%.

In the Eurozone, the inflation rate stands at 2.6% (March 2026, LTM), and the European Central Bank interest rate stands at 2.15%.

B. Economic environment in Israel

The main global economic trends described above were also largely reflected in the Israeli economy. At the same time, the Israeli economy was affected over the past two years mainly by unique and complex local events with substantial impact, primarily the Iron Swords war and its consequences.

C. Security situation

As of the publication date of the date, the Iron Swords war, which broke out on October 7, 2023 (including related combat operations in other conflict zones) continues to affect Israel's geopolitical and economic environment. In the context of the war, Israel has conducted military operations against terrorist organizations, supported by Iran, in Gaza, Lebanon, Syria, and Yemen.

At the beginning of 2026, tensions between the United States and Iran intensified, culminating on February 28, 2026, with the launch of Operation Roaring Lion (alongside the U.S. operation Epic Fury), which included airstrikes against Iran carried out by the United States and Israel. In the operation, ballistic missiles and UAVs were launched toward Israel and American targets in the Persian Gulf states. Two days after the outbreak of the hostilities with Iran, the Hezbollah terrorist organization also joined the fighting from Lebanon. A ceasefire with Iran was declared on April 7, 2026, and a ceasefire with Hezbollah was declared several days later. As of the publication date of this report, the negotiations between the United States and Iran have not borne fruit, and Israel is preparing for the possibility of another round of high-intensity hostilities.

The heightened geopolitical risk environment has also affected the credit rating of the State of Israel. In 2024, the rating agencies Moody's and S&P downgraded Israel's credit rating to Baa1 and A, respectively, and in 2025 they further downgraded the outlook to negative. With the stabilization of geopolitical risk levels, the rating agencies upgraded the outlook to stable (S&P on November 7, 2025, and Moody's on January 31, 2026).

¹ This section includes information based on research studies and information from websites. The Company did not request, and in any event did not receive, the consent of the operators of these websites for the inclusion of the information in this report. Such information is publicly available and, to the best of the Company's knowledge, is public information. In addition, the Company has not conducted an independent review regarding the accuracy or reliability of this information.

Throughout the entire period of the war, despite the many difficulties and challenges in the business environment, the Israeli economy demonstrated robustness and resilience. Moreover, starting in the second half of 2024, and following Israel's military successes, positive trends in the economy can be observed. In the second half of 2025 and up to shortly before the publication date of this report, the NIS strengthened significantly. Israeli government bonds also reflected a decline in the risk premium compared with the initial period of the escalation.

In the medium and long term, if there is a significant reduction in the Iranian threat, it is estimated that that this would have positive implications for the growth potential of the Israeli economy. Conversely, if hostilities with Iran, and potentially with Hezbollah, resume, this could have a negative impact on the Israeli economy as a whole.

D. Economic indicators

1) Inflation and interest

As of the publication date of the report, the CPI (March 2026, LTM) stands at 1.9% and the Bank of Israel interest rate stands at 4%.

According to the Bank of Israel's assessment², the inflation rate at the end of 2026 is expected to be 2.3%, and the Bank of Israel interest rate in the fourth quarter of 2026 is expected to be 3.5-3.75%.

The Company estimates that the effect of inflation on its operating results is not material, among other things, because the Company's financial debt is not linked to the CPI. On the other hand, any increase in interest rates may adversely affect the Company's operating results by increasing financial costs for variable interest loans (commercial securities and short-term bank loans), as well as for new fixed interest loans replacing loans that reach maturity. It should also be noted in this context that labor costs are the Company's primary expense component (55% of the Company's operating expenses), which the Company assesses are affected mainly by supply and demand trends for technological personnel and inflation is expected to have a limited effect on them.

2) Exchange rates

Changes in the USD exchange rate (and to a lesser extent, the EUR) and its volatility affect the Company's operating results, particularly its cloud activities, the sale and marketing of software products, hardware, and IT infrastructure (of which a substantial portion of transactions is denominated in USD) and the results (in NIS) of the IT Solutions and Software Products & Services – International segment. The exchange rate also affects translation adjustments of financial statements of U.S. subsidiaries (recognized in the translation differences reserve). In general, an increase in the USD exchange rate, in a given period, has a positive effect on the Company's results, and the opposite applies in the event of a depreciation in the USD. The Company partially hedges against fluctuations in the USD exchange rate through a natural hedge, by matching USD receipts with USD payments to the extent possible. In addition, the Company continuously carries out hedging transactions to mitigate its foreign currency exposures

For information about the USD exchange rate in the reporting periods, see Note 2a to the financial statements.

² <https://www.boi.org.il/publications/pressreleases/30-3-26a/>

As explained above, the strengthening of the NIS in the reporting period had a negative offsetting effect on the Company's continued growth trend in revenues and profits (meaning, without this effect, the Company would have reported even higher growth; for further information see section 1.2.2 (6) regarding the effect of the depreciation of the USD on operating results). In addition, following the appreciation of the NIS against the USD (and the EUR), in the first quarter of 2026, the Company recorded finance expenses due to FX differences (net of hedging gains) amounting to NIS 4 million. The Company also recorded movement in the foreign currency translation reserve (net of the effect of hedging activities recognized in the capital reserve) amounting to NIS 8.3 million, which was recognized in other comprehensive income.

E. Effect on the Company's operating results

As of the date of the financial statements and the publication date of the report, about 331 and 263 of the Company's employees, respectively, have been called up for reserve duty.

Notwithstanding the above, as set out below, the Company's operations in the first quarter of 2026 was characterized by continued growth in the volume of its operations and operating results. The Company believes that the war has no material impact on its financial results.

The information in this section above, including regarding the Company's assessments of the effect on its operations, in connection with the security situation, the Company's economic environment, U.S. customs policy, interest rates and inflation trends, exchange rate volatility, and developments in the high-tech industry, constitutes forward-looking information, as defined in the Israel Securities Law, 1968 (the "Securities Law"). This information is based on management's assessments, business experience, assumptions, various scenarios, analyses, and public information, as well as the assessments of research companies and analysts as of the reporting date. Such information may not materialize, in whole or in part, or may materialize in a manner that differs materially from expectations, due, among other factors, to geopolitical developments, changes in economic or regulatory policy, or the materialization of some or all of the risk factors set out in section 19 of Chapter A –Description of the Corporation's Business in the annual report.

1.1.4 Material events during the reporting period

A. Completion of the merger transaction with Magic

On February 24, 2026, the merger transaction was completed, following the fulfillment of the preconditions set out 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.

B. Signing of a put/call option agreement with a minority shareholder in Comblack

In November 2025, an option agreement was signed between Magic and a minority shareholder in Comblack IT Ltd. ("Comblack"), a subsidiary of the Company, in connection with the grant of a put option/call option for the sale/purchase, respectively, of all the minority shareholder's shares in Comblack (19.76%). The consideration for the exercise of the put option (or the call option with the required changes as stated), is calculated based on Company valuation to be determined in accordance with the future results of the subsidiary.

C. Issuance of convertible bonds (Series 2)

On February 4, 2026, the Company completed the issuance of convertible bonds (Series 2) with a par value of NIS 297 million, for a gross consideration of NIS 300.6 million. The bonds bear annual interest of 0.5% and are due in a single payment on February 1, 2031. The convertible bonds (Series 2) are convertible on any trading day such that every 178.4 NIS par value of bonds is convertible into one share of the Company (after adjustment for dividend distribution). For further information about the issuance of convertible bonds (Series 2), see Note 25A to the annual financial statements.

Most of the proceeds from the issuance of the convertible bonds (Series 2) were used, after the completion of the Magic transaction (see below), to repay existing bank debt in Magic, in a total amount of NIS 200 million.

D. Acquisition of Savannah

On December 1, 2025, the Company, through Comm-IT (a subsidiary of the Company), completed the acquisition of 75% of the share capital of Savannah Solutions Ltd., which specializes in building outsourced development teams for startups, through the recruitment and employment of developers based in African countries. The basic purchase consideration amounted to NIS 3.75 million, plus additional contingent consideration based on the Company's future financial results.

E. Acquisition of Martin Control Systems

On March 12, 2026, the Company, through its subsidiary Magic Software Industries, completed the acquisition of 100% of the share capital of Martin Control Systems for USD 3 million. Martin Control Systems is a US-based system integrator, specializing in industrial automation services and control systems integration. The Company provides industrial manufacturers with end-to-end solutions, including consulting, planning, engineering, development, integration, installation, and commissioning of industrial control systems. The operating results of Martin Control Systems will be included in the Company's consolidated financial statements (within the IT Solutions and Software Products & Services – International segment) beginning in the second quarter of 2026.

F. Acquisition of minority rights in the subsidiary Integrity Software Ltd.

In March 2025, the Company acquired the remaining minority rights (35%) in the subsidiary Integrity Software Ltd., for a total consideration of NIS 30 million, such that the Company currently holds the entire share capital of the subsidiary.

1.1.5 Key results for the first quarter of 2026

Against the backdrop of the significant depreciation of the USD against the NIS in the reporting periods (a decrease of 13.6% in the average USD exchange rate in the quarter compared with the corresponding quarter), the key operating results are also presented below on a Constant Currency³ basis, excluding these effects. For further information see section 1.2.3 below.

- Revenues increased by 2.4% to NIS 2.127 billion. **Revenue growth on a Constant Currency basis was 8.9%.**
- Operating income increased by 11% to NIS 203 million. **Operating income growth on a Constant Currency basis was 18%.**
- Net income increased by 9.2% to NIS 136.8 million. **Net income growth on a Constant Currency basis was 19.4%.**

Growth rates of the operating segments on a Constant Currency basis:

- **Revenues** in the IT Solutions, Software Products & Services, and Systems Engineering – Israel segment **increased by 4.7% (on a Constant Currency basis), while operating income increased by 22.4%.**
- **Revenues** in the IT Solutions and Software Products & Services – International segment **increased by 13.9% (on a Constant Currency basis), while operating income increased by 25.2%.**
- **Revenues** in the Cloud Solutions, IT Infrastructure & Systems – Israel and International segment **increased by 19.8% (on a Constant Currency basis), while operating income increased by 2.3%.**

³ The Company presents, among other things, information on a Constant Currency basis in order to provide information for evaluating the business performance on a consistent comparative basis, excluding the effect of foreign exchange fluctuations. For this purpose, the results of the current period are translated into NIS using the exchange rates of the corresponding period, instead of the actual exchange rates in effect during the relevant periods. This applies solely to organizational units and subsidiaries whose operations are materially exposed to fluctuations in exchange rates. In addition, net income figures on a Constant Currency basis exclude finance expenses arising from FX differences, net of tax.

These financial measures, which are not based on generally accepted accounting principles (Non-GAAP), should not be regarded as a substitute for, or as superior to, financial performance measures prepared in accordance with GAAP. All growth comparisons refer to the corresponding period.

1.1.6 Condensed statements of consolidated profit for the three months ended March 31, 2026 and 2025 (NIS thousands)

	For the three months ended	For the three months ended	Change in %
	March 31, 2026	March 31, 2025	
Revenues	2,127,581	2,077,038	2.4%
Cost of revenues and services	1,744,863	1,703,190	2.4%
Gross profit	382,718	373,848	2.4%
% of revenues	18%	18%	
Research and development expenses	9,180	11,730	(21.7%)
Selling and marketing expenses	87,544	93,829	(6.7%)
General and administrative expenses	82,924	85,423	(2.9%)
Operating income	203,070	182,866	11%
% of revenues	9.5%	8.8%	
Finance expenses, net	23,779	20,526	15.8%
Income before taxes on income	179,291	162,340	10.4%
Taxes on income	42,451	36,550	16.1%
Company's share in losses of associates	-	455	(100%)
Net income	136,840	125,335	9.2%
% of revenues	6.4%	6%	
Net income attributable to:			
Equity holders of the company	120,736	92,486	30.5%
Non-controlling interests	16,104	32,849	(51%)
Net income	136,840	125,335	9.2%
% of revenues	6.4%	6%	
EBITDA⁴	265,661	251,528	5.6%
% of revenues	12.5%	12.1%	

⁴ Earnings before financing, taxes, depreciation, and amortization

1.2 Analysis of operating results

1.2.1 Seasonality

In the first quarter of 2026, the number of working hours was similar to that of the corresponding period. For further information about the seasonality affecting the Company's operations, see also section 9 of the Description of Company Operations in the Periodic Report.

1.2.2 Analysis of consolidated profit or loss

1) Revenues

The Company's revenues amounted to NIS 2,127.6 million in the quarter, compared with NIS 2,077 million in the corresponding quarter, an increase of 2.4%. The rate of increase in revenue in the quarter, excluding the effect of the depreciation of the USD against the NIS (a decrease of 13.6% in the average USD exchange rate compared with the corresponding quarter) was 8.9%, (see section 1.2.3 below).

The increase in revenue in the quarter compared with the corresponding period was mainly due to increased activity in the IT Solutions, Software Products & Services, and Systems Engineering – Israel segment, and in the Cloud Solutions, IT Infrastructure & Systems – Israel and International segment. This increase was partially offset by a slight decrease in revenue in the international IT solutions, software products and services segment, due to the adverse effect of the depreciation of the USD against the NIS (see section 6 regarding the effect of exchange rates on operating results). The effect of the first-time consolidation of Savannah Tech's operating results (commencing December 2025) on revenue growth was immaterial.

2) Gross profit

Gross profit in the quarter amounted to NIS 382.7 million (18% of revenues), compared with NIS 373.8 million in the corresponding quarter (18% of revenues), an increase of 2.4%.

The increase in gross profit in the quarter compared with the corresponding quarter is due to the increase in the Company's revenue.

3) Research and development expenses

Research and development expenses are attributable to activities for developing technological and application capabilities (including cloud integration and AI capabilities) in connection with software products that constitute the intellectual property of Magic.

Net research and development expenses amounted to NIS 9.2 million in the quarter (0.4% of revenues), compared with NIS 11.7 million in the corresponding quarter (0.6% of revenues).

Gross research and development expenses (including capitalized research and development costs) amounted to NIS 11.3 million in the quarter (0.5% of revenues), compared with NIS 13.5 million in the corresponding quarter (0.7% of revenues).

The decrease in research and development expenses compared with is mainly due to the effect of the depreciation of the USD.

4) **Selling and marketing, general and administrative expenses**

SG&A expenses amounted to NIS 170.5 million in the quarter (8% of revenues), compared with NIS 179.3 million in the corresponding quarter (8.6% of revenues). The decrease in SG&A expenses and the decline in their ratio to total revenues were mainly due to the effect of the depreciation of the USD against the NIS on the SG&A expenses of foreign subsidiaries and costs recorded in connection with the Magic transaction in the corresponding quarter.

It should be noted that selling expenses include an amount of NIS 14.2 million (compared with NIS 18.4 million in the corresponding quarter) attributable to the amortization of intangible assets arising from business combinations.

SG&A expenses include NIS 1.4 million (compared with NIS 2.8 million in the corresponding quarter) for equity-based compensation for officers and senior managers.

5) **Operating income**

Operating income in the quarter amounted to NIS 203.1 million (9.5% of revenues), compared with NIS 182.9 million in the corresponding quarter (8.8% of revenues), an increase of 11%.

The rate of increase in income in the quarter, excluding the effect of the depreciation of the USD against the NIS, was 18% (see section 1.2.3 below).

The increase in operating income in the quarter, compared with the corresponding quarter, is due to income growth across all sectors, except for a decrease in the Cloud Solutions, IT Infrastructure & Systems – Israel and International.

Excluding the effect of the first-time consolidation of Savannah Tech, as set out above, the Company recorded organic growth in operating income of 10.7%.

6) **Finance expenses, net**

Finance expenses (net) amounted to NIS 23.8 million in the quarter, compared with NIS 20.5 million in the corresponding quarter, an increase of NIS 3.3 million (15.8%).

Composition of net finance expenses (NIS thousands)

	For the three months ended	For the three months ended	
	March 31, 2026	March 31, 2025	Change
Interest, commissions, and other (net)	8,636	9,783	(1,147)
FX differences	4,051	(259)	4,310
Accounting finance expenses*	11,092	11,002	90
Total finance expenses (net)	23,779	20,526	3,253

*Includes mainly finance expenses for leases, adjustments to put options attributable to non-controlling interests in subsidiaries, accounting finance expenses for convertible bonds (the difference between the stated bond interest rate and the effective interest rate derived from accounting principles), and changes in the fair value of financial assets measured at fair value.

As set out above, the increase in finance expenses in the quarter, compared with the corresponding quarter, is entirely attributable to an increase in FX differences, due to the depreciation of the USD against the NIS by 0.8% in the quarter. The increase was partially offset by a decrease in interest expenses on the Company's financial liabilities (net of finance income from investments and deposits) in the quarter, compared with the corresponding quarter.

7) **Taxes on income**

Tax expenses in the quarter amounted to NIS 42.5 million (23.7% of income before tax), compared with NIS 36.6 million in the corresponding quarter (22.5% of income before tax). The increase in tax expenses is due to the increase in income.

8) **Net income**

Net income in the quarter amounted to NIS 136.8 million (6.4% of revenues), compared with NIS 125.3 million in the corresponding quarter (6% of revenues), an increase of 9.2%.

The rate of increase in net income in the quarter, excluding the impact of the depreciation of the USD against the NIS, was 19.4% (see section 1.2.3 below).

9) **Net income attributable to equity holders of the Company**

Net income attributable to equity holders of the Company in the quarter amounted to NIS 120.7 million (5.7% of revenues), compared with NIS 92.5 million in the corresponding quarter (4.5% of revenues), an increase of 30.5%. It should be noted in this context that until the date of the Magic transaction, non-controlling interests in Magic were calculated based on Formula's holding percentage in Magic up to that date (46.7%). Upon completion of the transaction, the Company (as part of the Magic transaction) also acquired the minority rights in Magic.

10) **Total comprehensive income (NIS thousands)**

	For the three months ended	For the three months ended
	March 31, 2026	March 31, 2025
Net income	136,840	125,335
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	1,925	1,335
Amounts that will be classified or reclassified to profit or loss if specific conditions are met:		
Adjustments for translation of financial statements of foreign operations	(8,375)	22,009
Change in fair value of instruments used in cash flow hedging	(593)	(279)
Total comprehensive income	129,797	148,400

11) EBITDA (NIS thousands)

The EBITDA figure is included in this report as it is a widely accepted measure for evaluating the operating performance of comparable companies, and because it serves as an approximation of cash flows from operating activities, excluding non-cash operating expense, such as depreciation and amortization, including for intangible assets acquired in business combinations.

EBITDA and adjusted EBITDA, excluding the effect of IFRS 16

	For the three months ended March 31, 2026	For the three months ended March 31, 2025	Change in %
Operating income	203,070	182,866	11%
Depreciation and amortization	62,591	68,662	(8.8%)
EBITDA	265,661	251,528	5.6%
% of total revenues	12.5%	12.1%	
Excluding expenses for application of IFRS 16 ⁵	44,142	45,129	(2.2%)
EBITDA excluding the effect of IFRS 16	221,519	206,339	7.3%
% of total revenues	10.4%	9.9%	

12) Earnings per share attributable to the Company's shareholders

	For the three months ended March 31, 2026	For the three months ended March 31, 2025
Diluted net earnings per share attributable to the Company's shareholders	1.3	1.2

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



1.2.3 Analysis of the effect of depreciation of the USD against the NIS on the operating results (on a Constant Currency basis)

The reporting period was characterized by a sharp decline in the USD exchange rate against the NIS. Accordingly, the average USD exchange rate in the quarter depreciated by 13.6% compared with the corresponding quarter.

To offset the external effects of such exchange rate fluctuations, the Company's revenues and operating income are presented below on a Constant Currency⁶ basis, which eliminates exchange rate effects between reporting periods and allows the presentation of business results on a consistent comparative basis.

For further information about the effect of exchange rate fluctuations on the results of the operating segments, see section 1.2.5 below.

Reported results (NIS thousands):

	For the three months ended March 31, 2026	For the three months ended March 31, 2025	Change in %
Revenues	2,127,581	2,077,038	2.4%
Operating income	203,070	182,866	11%
Operating income margin	9.5%	8.8%	
Net income	136,840	125,335	9.2%
Net income margin	6.4%	6%	

Company results on a Constant Currency basis (NIS thousands):

	For the three months ended March 31, 2026	For the three months ended March 31, 2025	Change in %
Revenues	2,262,887	2,077,038	8.9%
Operating income	215,771	182,866	18%
Operating income margin	9.5%	8.8%	
Net income	149,626	125,335	19.4%
Net income margin	6.6%	6%	

⁶ For information regarding the presentation of results on a Constant Currency basis, see footnote 3 above.

1.2.4 Condensed quarterly profit or loss results for 2025 and the first quarter of 2026 (NIS thousands)

	Q1/2026	Q4/2025	Q3/2025	Q2/2025	Q1/2025
Revenues	2,127,581	2,130,210	2,185,340	1,994,394	2,077,038
Cost of revenues and services	1,744,863	1,741,826	1,795,102	1,619,960	1,703,190
Gross profit	382,718	388,384	390,238	374,434	373,848
% of revenues	18%	18.2%	17.9%	18.8%	18%
Research and development expenses	9,180	10,005	10,669	12,265	11,730
Selling and marketing expenses	87,544	95,714	100,863	94,369	93,829
General and administrative expenses	82,924	107,362	89,660	85,061	85,423
Operating income	203,070	175,303	189,046	182,739	182,866
% of revenues	9.5%	8.2%	8.7%	9.2%	8.8%
Finance expenses, net	23,779	24,296	23,554	25,807	20,526
Income before taxes on income	179,291	151,007	165,492	156,932	162,340
Taxes on income	42,451	37,113	38,962	36,957	36,550
Company's share in losses of associates	-	-	-	595	455
Net income	136,840	113,894	126,530	119,380	125,335
% of revenues	6.4%	5.3%	5.8%	6%	6%
The Company's shareholders	120,736	88,181	93,921	90,136	92,486
Non-controlling interests	16,104	25,713	32,609	29,244	32,849
Net income	136,840	113,894	126,530	119,380	125,335
% of revenues	6.4%	5.3%	5.8%	6%	6%

1.2.5 Condensed results of profit or loss by operating segments for the three months ended March 31, 2026 and 2025 (NIS thousands)

	For the three months ended	For the three months ended	Change in %
	March 31, 2026	March 31, 2025	
Revenues according to operating segment			
IT Solutions, Software Products & Services and Systems Engineering – Israel	1,303,523	1,261,439	3.3%
IT Solutions and Software Products & Services – International	344,662	350,127	(1.6%)
Cloud Solutions, IT Infrastructure & Systems – Israel and International	529,993	495,596	6.9%
Inter-segment adjustments	(50,597)	(30,124)	
Total revenues	2,127,581	2,077,038	2.4%
Operating income			
IT Solutions, Software Products & Services and Systems Engineering – Israel	126,613	105,180	20.4%
IT Solutions and Software Products & Services – International	37,812	34,957	8.2%
Cloud Solutions, IT Infrastructure & Systems – Israel and International	42,737	46,254	(7.6%)
Inter-segment adjustments	(4,092)	(3,525)	
Operating income	203,070	182,866	11%

	For the three months ended March 31, 2026	For the three months ended March 31, 2025
	%	%
Operating income margin		
IT Solutions, Software Products & Services and Systems Engineering – Israel	9.7%	8.3%
IT Solutions and Software Products & Services – International	11%	10%
Cloud Solutions, IT Infrastructure & Systems – Israel and International	8.1%	9.3%
Operating income margin (%)	9.5%	8.8%

	For the three months ended March 31, 2026	For the three months ended March 31, 2025
	%	%
Revenues by operating segment (%):		
IT Solutions, Software Products & Services and Systems Engineering – Israel	59.9%	59.9%
IT Solutions and Software Products & Services – International	15.8%	16.6%
Cloud Solutions, IT Infrastructure & Systems – Israel and International	24.3%	23.5%
Total revenues (%)	100%	100%

	For the three months ended March 31, 2026	For the three months ended March 31, 2025
	%	%
Contribution to operating income by operating segments		
IT Solutions, Software Products & Services and Systems Engineering – Israel	61.1%	56.4%
IT Solutions and Software Products & Services – International	18.3%	18.8%
Cloud Solutions, IT Infrastructure & Systems – Israel and International	20.6%	24.8%
Total contributions (%)	100%	100%

	For the three months ended	For the three months ended	Change in %
	March 31, 2026	March 31, 2025	
Geographic information			
Revenues			
Revenues from customers in Israel	1,758,060	1,685,819	4.3%
Revenues from customers in the United States	348,036	336,268	3.5%
Revenues from customers in Europe	58,615	68,595	(14.5%)
Revenues from customers in Asia	9,190	13,874	(33.8%)
Revenues from other customers	4,277	2,606	64.1%
Inter-segment adjustments	(50,597)	(30,124)	
Total revenues	2,127,581	2,077,038	2.4%

	For the three months ended	For the three months ended
	March 31, 2026	March 31, 2025
	%	%
Revenue by geographical region		
Revenues from customers in Israel	80.7%	79.9%
Revenues from customers in the United States	16%	16%
Revenues from customers in Europe	2.7%	3.3%
Revenues from customers in Asia	0.4%	0.7%
Revenues from other customers	0.2%	0.1%
Total revenues (%)	100%	100%

1.2.6 Analysis of operating results by operating segments on a Constant Currency basis

Below is an analysis of the operating results of the segments, including the presentation of the operating results of each segment based on the original NIS-denominated reporting and on a Constant Currency basis, as defined in section 1.2.3 above.


IT Solutions, Software Products & Services and Systems Engineering – Israel

Reported results (NIS thousands):

	For the three months ended	For the three months ended	Change in %
	March 31, 2026	March 31, 2025	
Revenues	1,303,523	1,261,439	3.3%
Operating income	126,613	105,180	20.4%
Income margin	9.7%	8.3%	

As explained above (see also section 1.1.3, Business environment), the results of the software product sales and marketing activities included in this segment were adversely affected by the depreciation of the USD (a decrease of 13.6% in the average USD rate compared with the corresponding quarter).

Segment results on a Constant Currency basis (NIS thousands):

	For the three months ended	For the three months ended	Change in %
	March 31, 2026	March 31, 2025	
Revenues	1,320,694	1,261,439	4.7%
Operating income	128,773	105,180	22.4%
Income margin	9.7%	8.3%	

The increase in revenues, operating income, and operating margin in the quarter, compared with the corresponding quarter, is mainly due to an increase in the volume of activity in Data & AI, cyber, defense, core systems, and software product sales. The increase in profitability is mainly due to changes in the transaction mix and the continued implementation of the Company's operational efficiency measures, which are reflected mainly in this operating segment


IT Solutions and Software Products & Services – International

Reported results (NIS thousands):

	For the three months ended	For the three months ended	Change in %
	March 31, 2026	March 31, 2025	
Revenues	344,662	350,127	(1.6%)
Operating income	37,812	34,957	8.2%
Income margin	11%	10%	

As explained above (see also section 1.1.3, Business environment), the segment results were adversely affected by the depreciation of the USD (a decrease of 13.6% in the average USD rate compared with the corresponding quarter).

Segment results on a Constant Currency basis (NIS thousands):

	For the three months ended	For the three months ended	Change in %
	March 31, 2026	March 31, 2025	
Revenues	398,924	350,127	13.9%
Operating income	43,765	34,957	25.2%
Income margin	11%	10%	

The increase in revenues and operating income, as well as in operating profitability, was due to growth in the segment's activity, driven by the GRC activity for financial institutions in other countries, Data & AI activities, and services in the United States.


Cloud Solutions, IT Infrastructure & Systems – Israel and International

Reported results (NIS thousands):

	For the three months ended	For the three months ended	Change in %
	March 31, 2026	March 31, 2025	
Revenues	529,993	495,596	6.9%
Operating income	42,737	46,254	(7.6%)
Income margin	8.1%	9.3%	

As explained above (see also section 1.1.3, Business environment), the segment results were adversely affected by the depreciation of the USD (a decrease of 13.6% in the average USD rate compared with the corresponding quarter), primarily due to cloud activities and in the marketing and sale of hardware and IT infrastructure products.

Segment results on a Constant Currency basis (NIS thousands):

	For the three months ended	For the three months ended	Change in %
	March 31, 2026	March 31, 2025	
Revenues	593,866	495,596	19.8%
Operating income	47,325	46,254	2.3%
Income margin	8.1%	9.3%	

The significant increase in revenues, compared with the more moderate increase in operating income, alongside the decrease in operating margin as a percentage of total revenues compared with the corresponding quarter, is due to changes in the transaction mix compared with the corresponding quarter, particularly from a decrease in the volume of activity in the marketing, implementation, and support of advanced technology solutions (mainly through the subsidiaries RDT and Ortec), which are characterized by higher profitability levels.

1.2.7 Agreements and special events

Dividend distribution

Distribution date	Divided per share (agorot)	Amount of dividend (NIS million)
May 5, 2026	0.79	73.1

Dividends distributed by the Company and by Magic in 2024-2025, prior to the completion of the merger transaction (NIS millions):

	Matrix	Magic	Total
2025	220.8	129.9	350.7
2024	232.49	79.2	311.69

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.

Credit Rating Upgrade

On March 23, 2026, Midroog upgraded the Company's credit rating to an Aa2 issuer rating with a stable outlook and upgraded the ratings of the Series B Bonds and Series 2 Convertible bonds to Aa2, both with a stable outlook. In addition, Midroog reaffirmed the rating of P-1.il for commercial securities.

1.3 Financial position, liquidity, and financing sources

Analysis of financial position as of March 31, 2026

Balances of liquid assets and financial ratios (NIS thousands)

	March 31, 2026	December 31, 2025	Change
Cash and cash equivalents	1,011,451	1,207,350	(195,899)
Short term credit	(464,408)	(560,536)	96,128
Long term credit	(503,592)	(420,818)	(82,774)
Net cash (financial net debt)	43,451	225,996	(182,545)
Total balance sheet	6,419,582	6,322,165	97,417
Financial net debt to balance sheet ratio	(0.7%)	(3.6%)	
Current ratio	1.2	1.2	
Retained earnings	1,039,811	990,250	49,561
Total equity attributable to shareholders	1,969,081	1,478,895	490,186
Ratio of shareholder equity to balance sheet	30.7%	23.4%	

Condensed consolidated statements of financial position
(NIS thousands)

	March 31, 2026	December 31, 2025	Change
Assets:			
Cash and cash equivalents	1,011,451	1,207,350	(195,899)
Trade receivables and unbilled receivables, net	2,521,139	2,324,423	196,716
Inventories	110,899	92,672	18,227
Goodwill	1,520,602	1,518,311	2,291
Intangible assets, net	209,654	216,912	(7,258)
Right-of-use assets	418,163	422,866	(4,703)
All others (property, plant and equipment, deferred taxes, etc.)	627,674	539,631	88,043
Total assets	6,419,582	6,322,165	97,417
Liabilities:			
Credit from banks and other credit providers	968,000	981,354	(13,354)
Trade payables	1,120,855	1,131,788	(10,933)
Deferred revenues	577,720	511,895	65,825
Leasing liabilities	432,386	438,032	(5,646)
Liabilities for options to holders of non-controlling interests and contingent liabilities for business combinations	281,036	246,652	34,384
All others	913,018	905,679	7,339
Total liabilities	4,293,015	4,215,400	77,615

The increase in asset items was mainly attributable to an increase in trade receivables and unbilled receivables, as well as an increase in other receivables (presented above under the “All Other” item). This increase was partially offset by a decrease in cash and cash equivalents.

The increase in total liabilities was mainly attributable to an increase in deferred revenues (primarily customer advances in long-term contracts), as well as an increase in liabilities in respect of options granted to non-controlling interests and liabilities related to the acquisition of operations (primarily following the execution of a put/call option agreement in connection with minority interests in a subsidiary. For additional information, see Section 1.1.4(B) above). This increase was partially offset by a decrease in bank borrowings (reflecting the continued net repayment of financial liabilities) and a decrease in trade payables.

Condensed statements of cash flows (NIS thousands)

	For the three months ended March 31, 2026	For the three months ended March 31, 2025
Cash flows from operating activities		
Net income	136,840	125,335
Adjustments to profit or loss items	137,641	125,410
Changes in assets and liabilities items	(353,685)	(145,371)
Cash paid and received for interest and taxes, net	(43,930)	(36,877)
Net cash from (used in) operating activities	(123,134)	68,497
Cash flow from investment activities		
Acquisition of property, plant, and equipment	(11,036)	(11,871)
Capitalized software development costs	(2,107)	(1,792)
Proceeds from sale of property, plant, and equipment	170	1,137
Acquisition of subsidiaries consolidated for the first time	(3,497)	(79,330)
Cash payments for deferred payments and contingent liabilities related to business combinations	(11,882)	(1,732)
Proceeds from the sale (purchase) of financial assets, net	(14,283)	2,150
Change in short- and long-term deposits	680	(2,345)
Cash used in investing activities	(41,955)	(93,783)
Cash flows from financing activities		
Receipt (repayment) of credit, net	(209,825)	(28,110)
Proceeds for a long-term loan	-	120,000
Dividend distribution	(579)	(67,830)
Acquisition of non-controlling interests	(21,740)	-
Repayment of lease liabilities	(39,916)	(32,950)
Dividend distribution to a minority	(6,818)	(35,661)
Repayment of a liability for put options to non-controlling interests	(8,696)	-
Proceeds from the issuance of convertible bonds	297,272	-
Repayment of bonds	(33,959)	(33,959)
Net cash used in financing activities	(24,261)	(78,510)

Cash flows from operating activities

In the first quarter of 2026, the Company recorded a negative cash flow from operating activities in the amount of NIS 123.1 million, compared with a positive cash flow from operating activities in the amount of NIS 68.5 million in the corresponding period. The decrease in the quarter is mainly due to changes in working capital, mainly due to a trade receivable factoring transaction in the fourth quarter of 2025 in the amount of NIS 260 million.

The Company's cash flow from operating activities for the last 12 months (LTM) amounted to NIS 856.5 million, compared with LTM cash flows from operating activities amounting to NIS 865 million in the corresponding period.

Cash flows used in investing activities

Cash flow used in investing activities in the first quarter amounted to NIS 41.9 million, compared with NIS 93.8 million in the corresponding quarter. The difference is mainly attributable to NIS 65.4 million paid for the acquisition of Gav in the corresponding quarter.

Cash flows used in financing activities

Cash flows used in financing activities in the quarter amounted to NIS 24.3 million, compared with NIS 78.5 million in the corresponding quarter. The difference is mainly due to proceeds of NIS 297.3 million from the issuance of convertible bonds, offset by the repayment of bank loans within the Group.

Average short-term credit (NIS thousands) *

	March 31, 2026	March 31, 2025
Trade receivables	2,428,673	2,357,655
Trade payables	1,026,384	879,517

* Quarterly average for the last 12 months as of the reporting date

The Company finances its operations (including the gap between average customer credit and average supplier credit) through cash flows from operating activities, equity, and from loans from financial institutions and bonds.

Disclosure regarding the projected cash flow statement under Regulation 10(B)(1)(d) of the Israel Securities Regulations (Periodic and Immediate Reports):

As of March 31, 2026, the Company's separate financial statements reflect a working capital deficit. In view of the above, the Company's Board of Directors reviewed the Company's financial indicators, its compliance with applicable financial covenants, and the Company's existing and expected cash sources and requirements. Company's Board of Directors believes that the working capital deficit in the separate financial statements does not indicate a liquidity concern. Accordingly, the Company is not required to publish a projected cash flow statement.

Condensed statements of changes in equity (NIS thousand)

	March 31, 2026	March 31, 2025
Opening balance	2,106,765	2,197,865
Net income	136,840	125,335
Dividend declared	(73,100)	(79,504)
Dividend to non-controlling interests	(5,923)	(35,267)
Translation differences	(8,968)	21,730
Share-based payments	1,445	2,785
Transactions with non-controlling interests	(21,695)	(14,103)
Disposal of put options for non-controlling interests	(48,560)	(26,849)
Reserve for convertible bonds	37,838	-
Actuarial gains from a benefit plan	1,925	1,335
Closing balance	2,126,567	2,193,327

2. Disclosure provisions for 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.

May 18, 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 about Convertible Bonds (Series 2)
Date of issue	Initial issue 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 issue and 180,366 in the series expansion	297,028
Par value as of March 31, 2026	271,861	297,028
Par value balance on the reporting date, revalued according to linkage terms	The series is unlinked	The series is unlinked
Value in the financial statements as of March 31, 2026 (amortized cost according to the effective interest method)	271,658	249,387
Interest accrued as of March 31, 2026	1,869	1,533
Market capitalization as of March 31, 2026	271,671	268,810
Type of interest	Fixed annual interest at a rate of 4.1%. It should be noted that the deed of trust for the Series B Bonds attached to the offering report (the “Deed of Trust”) includes mechanisms for adjustments to the annual interest rate of the Series B Bonds, in the event of non-compliance with financial covenants or a downgrade in the credit rating of the Series B Bonds. In accordance with the adjustment mechanisms (on a cumulative basis), the total increase in the interest rate will not exceed 1%. For further information see sections 5.8 and 5.9 of the Deed of Trust.	Fixed annual interest at a rate of 0.5%. It should be noted that the deed of trust for the Series 2 Convertible bonds attached to the offering report (the “Deed of Trust”) includes mechanisms for adjustments to the annual interest rate of the Series 2 Convertible bonds, in the event of non-compliance with financial covenants or a downgrade in the credit rating of the Series 2 Convertible bonds. In accordance with the adjustment mechanisms (on a cumulative basis), the total increase in the interest rate will not exceed 1%. For further information see sections 5.8 and 5.9 of the Deed of Trust.

Disclosure item	Details regarding the Bonds (Series B)	Details about Convertible Bonds (Series 2)
Principal payment dates	The principal of the Series B Bonds will be repaid in fourteen (14) semi-annual installments, comprising thirteen equal installments (each payment is equal to 7.14% of the principal) and a final installment of 7.18%, commencing on August 1, 2023 and ending on February 1, 2030.	The principal of the Series 2 Convertible bonds are repayable in a single payment, which will be made on February 1, 2031.
Interest payment dates	The interest on the Series B Bonds will be paid in semi-annual payments, on February 1 and August 1 of each year, commencing on February 1, 2023 and ending on February 1, 2030.	The interest on the Series 2 Bonds will be paid in semi-annual payments, on February 1 and August 1 of each year, commencing on August 1, 2026 and ending on February 1, 2031.
Principal and interest linkage basis	The Series B Bonds are not linked (principal and interest) to any linkage basis.	The Series 2 Convertible bonds are not linked (principal and interest) to any linkage basis.
Is there a right of conversion?	No	Yes
Conversion right	-	The Series 2 Convertible bonds are convertible into registered ordinary shares, with a par value of NIS 1 of the Company, on any trading day beginning on the date of their listing on the TASE and until January 22, 2031. Each NIS 178.4 par value of bonds is convertible into one share of the Company (after adjustment for dividend distribution). For further information see section 5 of the Deed of Trust.
Early redemption or forced conversion of the bonds	The Company may, at its own initiative, call for early redemption of the Series B Bonds, all in accordance with the provisions of section 6.2 of the Deed of Trust.	The Company is not permitted to call for early redemption at the Company's initiative in accordance with the provisions of section 6.2 of the Deed of Trust.
Guarantee for payment of the Company's obligations under the Deed of Trust	None	None
As of the reporting date, is the Company in compliance with all	Yes	Yes

Disclosure item	Details regarding the Bonds (Series B)	Details about Convertible Bonds (Series 2)
of the terms and obligations under the Deed of Trust?		
As of the reporting date and in the reporting period, were there grounds for immediate repayment of the bonds?	No	No
Was the Company required by the trustee to perform various actions, including convening meetings of bond holders?	No	No
Details of collateral/liens	None	None

2) Details about the trustee for Series B Bonds

Name of the trustee	Reznik Paz Nevo Trusts Ltd.
Bond administrator	Adv. Hagar Shaul
Contact information	14 Yad Harutzim St., Tel-Aviv, Israel Tel: 972-3-6389200, Fax: 972-3-6389222 hagar@rpn.co.il

3) Details about Series B Bonds and Series 2 Convertible bonds

Name of rating company as of the reporting date	Midroog Ltd. ("Midroog")
Rating at the date of issue	Aa2 with stable outlook
Rating at the reporting date	Unchanged For the most recent rating report, see the immediate report published by the Company on March 24, 2026 (Ref. No. 2026-15-026533).

- ⁽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 details of the various covenants that the Company has undertaken toward the bond holders and the results of their calculation as of March 31, 2026:

Financial covenant under the bonds (Series B) (*)	Financial covenant under the convertible bonds (Series 2) (**)	Actual covenant as of March 31, 2026
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%	(0.7%)
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	(0.04)

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	2,126,567
---------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------	-----------

- (*) Bonds (Series B) – the outstanding par value of the security in circulation as of March 31, 2026 – NIS 271,861,534; the outstanding par value of the security in circulation shortly before the reporting date is the same.
- (**) Convertible bonds (Series 2) – the outstanding par value of the security in circulation shortly before the reporting date is NIS 297,028,000 (issued subsequent to the reporting date).



CHAPTER B

Consolidated Interim Financial Statements

March 31, 2026

Unaudited

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.



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To
The shareholders of
Matrix IT Ltd.

Subject: Review Report of the Independent Auditor for the Shareholders of Matrix IT Ltd.

Introduction

We have reviewed the accompanying financial information of Matrix IT Ltd. and its subsidiaries (the "Group"), which include the condensed consolidated interim statements of financial position as of March 31, 2026, and the condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the three-month period then ended. The Board of Directors and management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, Interim Financial Reporting, and they are also responsible for the preparation of this interim financial information in accordance with Chapter D of the Israel Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Review Standard 2410 of the Institute of Certified Public Accountants in Israel, Review of Interim Financial Information Performed by the Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially more limited in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that this financial information is not prepared, in all material respects, in accordance with IAS 34.

Additionally, based on our review, nothing has come to our attention that causes us to believe that this financial information does not comply, in all material respects, with the disclosure requirements of Chapter D of the Israel Securities Regulations (Periodic and Immediate Reports), 1970.

Emphasis of matter section

Without qualifying our above conclusion, we draw attention to Note 1E and Note 4A to the interim financial statements, regarding the merger between the Company and Magic Software Industries Ltd.

Tel Aviv, Israel
May 18, 2026

Ziv Haft
Certified Public
Accountants (Isr.) – BDO
Member Firm

Consolidated Interim Statements of Financial Position
(NIS thousands)

	March 31 2026	March 31 2025 ¹	December 31 2025 ¹
	Unaudited	Unaudited	
Current assets			
Cash and cash equivalents	1,011,451	988,816	1,207,350
Short-term bank deposits	641	1,602	641
Trade receivables and unbilled receivables, net	2,521,139	2,547,195	2,324,423
Income tax receivable	58,405	50,296	72,894
Other accounts receivable	279,737	241,296	176,373
Inventories	110,899	99,304	92,672
	<u>3,982,272</u>	<u>3,928,509</u>	<u>3,874,353</u>
Non-current assets			
Other investments and loans	11,871	14,512	14,512
Prepaid expenses	84,431	88,412	83,054
Right-of-use assets	418,163	446,523	422,866
Property, plant, and equipment, net	130,633	133,642	129,429
Goodwill	1,520,602	1,594,860	1,518,311
Intangible assets	209,654	270,645	216,912
Deferred taxes	61,956	67,778	62,728
	<u>2,437,310</u>	<u>2,616,372</u>	<u>2,447,812</u>
	<u>6,419,582</u>	<u>6,544,881</u>	<u>6,322,165</u>

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

¹ Retroactive classification due to the merger; see Notes 1E and 4A below.

Consolidated Interim Statements of Financial Position
(NIS thousands)

	March 31 2026	March 31 2025 ²	December 31 2025 ²
	Unaudited	Unaudited	
Current liabilities			
Credit from banks and other credit providers	385,405	516,059	481,939
Current maturities of bonds	79,003	79,078	78,597
Current maturities of lease liabilities	128,495	131,705	125,593
Trade payables	1,120,855	995,704	1,131,788
Income tax payable	45,520	20,935	28,922
Other accounts payable	173,996	236,973	176,746
Employees and payroll accruals	617,655	671,260	633,338
Liabilities in respect of business combinations	9,444	30,952	17,658
Put options for non-controlling interests	144,938	165,769	156,951
Deferred revenues	531,217	469,498	459,396
	<u>3,236,528</u>	<u>3,317,933</u>	<u>3,290,928</u>
Non-current liabilities:			
Loans from banks and other credit providers	61,550	202,031	190,631
Liability for bonds	194,082	259,866	230,187
Liability for convertible bonds	247,960	-	-
Deferred revenues	46,503	96,422	52,499
Put options for non-controlling interests	107,981	62,009	55,635
Lease liabilities	303,891	332,334	312,439
Deferred taxes	58,795	56,159	50,421
Liabilities in respect of a business combination	18,673	8,880	16,408
Employee benefit liabilities	17,052	15,920	16,252
	<u>1,056,487</u>	<u>1,033,621</u>	<u>924,472</u>
Equity attributable to Company shareholder:			
Share capital and capital reserves	929,270	594,329	488,645
Retained earnings	1,039,811	916,717	990,250
	<u>1,969,081</u>	<u>1,511,046</u>	<u>1,478,895</u>
Non-controlling interest:			
	<u>157,486</u>	<u>682,281</u>	<u>627,870</u>
Total equity			
	<u>2,126,567</u>	<u>2,193,327</u>	<u>2,106,765</u>
	<u>6,419,582</u>	<u>6,544,881</u>	<u>6,322,165</u>

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

May 18, 2026			
Date of approval of the financial statements	Guy Bernstein Chair of the Board of Directors	Moti Gutman CEO	Nevo Brenner CFO

² Retroactive classification due to the merger; see Notes 1E and 4A below.

Consolidated Interim Statements of Profit or Loss and Other Comprehensive Income

(NIS thousands – other than data on net earnings per share)

	For the three months ended March 31 2026 Unaudited	For the three months ended March 31 2025 ³ Unaudited	For the year ended December 31 2025 ³
Revenues	2,127,581	2,077,038	8,386,982
Cost of revenues and services	1,744,863	1,703,190	6,860,078
Gross profit	382,718	373,848	1,526,904
Research and development expenses	9,180	11,730	44,669
Selling and marketing expenses	87,544	93,829	384,775
General and administrative expenses	82,924	85,423	367,506
Operating income	203,070	182,866	729,954
Finance expenses	31,771	28,195	122,258
Finance income	7,992	7,669	28,075
Income before taxes on income	179,291	162,340	635,771
Taxes on income	42,451	36,550	149,582
Company's share in losses of associates	-	455	1,050
Net income	136,840	125,335	485,139
Other comprehensive income (net of tax effects):			
Amounts that will not be subsequently reclassified to profit or loss:			
Gain from remeasurement of defined benefit plans	1,925	1,335	5,596
Amounts that will be, or that have been, classified or reclassified to profit or loss is specific conditions are met			
Adjustments for translation of financial statements of foreign operations	(8,375)	22,009	(127,337)
Change in fair value of instruments used in cashflow hedging	(593)	(279)	2,010
Total comprehensive income	129,797	148,400	365,408
Net income attributable to:			
Equity holders of the company	120,736	92,486	364,724
Non-controlling interests	16,104	32,849	120,415
	136,840	125,335	485,139
Total comprehensive income attributable to:			
Equity holders of the company	113,698	107,684	284,645
Non-controlling interests	16,099	40,716	80,763
	129,797	148,400	365,408
Net earnings per share attributable to the equity holders of the Company (NIS)			
Basic net earnings per share	1.3	1.2	4.73
Diluted net earnings per share	1.3	1.2	4.72

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

³ Retroactive classification due to the merger; see Notes 1E and 4A below.

Consolidated Interim Statements of Changes in Equity

Unaudited (NIS thousands)

	Share capital	Share premium	Reserve for convertible bonds	Treasury shares	Reserve for adjustments arising from translation of financial statements of foreign operations and cash flow 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 capital
Balance as of January 1, 2026⁴	82,001	328,214	-	(7,982)	(104,355)	10,186	180,581	990,250	1,478,895	627,870	2,106,765
Net income	-	-	-	-	-	-	-	120,736	120,736	16,104	136,840
Adjustments for translation of financial statements of foreign operations and cash flow hedge	-	-	-	-	(8,963)	-	-	-	(8,963)	(5)	(8,968)
Actuarial gain from remeasurement of defined benefit plans	-	-	-	-	-	-	-	1,925	1,925	-	1,925
Total other comprehensive income	-	-	-	-	(8,963)	-	-	1,925	(7,038)	(5)	(7,043)
Total comprehensive income	-	-	-	-	(8,963)	-	-	122,661	113,698	16,099	129,797
Exercise of options	36	1,554	-	-	-	-	(1,590)	-	-	-	-
Magic transaction share issuance	15,381	-	-	-	(52,611)	-	502,597	-	465,367	(465,367)	-
Dividend declared	-	-	-	-	-	-	-	(73,100)	(73,100)	-	(73,100)
Conversion option for convertible bonds	-	-	37,838	-	-	-	-	-	37,838	-	37,838
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(5,923)	(5,923)
Transactions with non-controlling interests	-	-	-	-	-	-	(18,649)	-	(18,649)	(3,046)	(21,695)
Share-based payments	-	-	-	-	-	-	1,377	-	1,377	68	1,445
Derecognition (creation) of put options for non-controlling interests	-	-	-	-	-	-	(36,345)	-	(36,345)	(12,215)	(48,560)
Balance as of March 31, 2026	97,418	329,768	37,838	(7,982)	(165,929)	10,186	627,971	1,039,811	1,969,081	157,486	2,126,567

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

⁴ Retroactive classification due to the merger; see Notes 1E and 4A below.

Consolidated Interim Statements of Changes in Equity

Unaudited (NIS thousands)

	Share capital	Share premium	Treasury shares	Reserve for adjustments arising from translation of financial statements of foreign operations and cash flow 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 capital
Balance as of January 1, 2025⁵	81,736	309,448	(7,982)	(18,680)	10,186	239,352	902,400	1,516,460	681,405	2,197,865
Net income	-	-	-	-	-	-	92,486	92,486	32,849	125,335
Adjustments for translation of financial statements of foreign operations and cash flow hedge	-	-	-	13,863	-	-	-	13,863	7,867	21,730
Actuarial gain from remeasurement of defined benefit plans	-	-	-	-	-	-	1,335	1,335	-	1,335
Total other comprehensive income	-	-	-	13,863	-	-	1,335	15,198	7,867	23,065
Total comprehensive income	-	-	-	13,863	-	-	93,821	107,684	40,716	148,400
Exercise of options	239	17,191	-	-	-	(17,430)	-	-	-	-
Dividend declared	-	-	-	-	-	-	(79,504)	(79,504)	-	(79,504)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	(35,267)	(35,267)
Transactions with non-controlling interests	-	-	-	-	-	(14,103)	-	(14,103)	-	(14,103)
Derecognition (creation) of put options for non-controlling interests	-	-	-	-	-	(22,512)	-	(22,512)	(4,337)	(26,849)
Share-based payments	-	-	-	-	-	3,021	-	3,021	(236)	2,785
Balance as of March 31, 2025⁵	81,975	326,639	(7,982)	(4,817)	10,186	188,328	916,717	1,511,046	682,281	2,193,327

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

⁵ Retroactive classification due to the merger; see Notes 1E and 4A below.

Consolidated Interim 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 cash flow 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 capital
Balance as of January 1, 2025⁶	81,736	309,448	(7,982)	(18,680)	10,186	239,352	902,400	1,516,460	681,405	2,197,865
Net income	-	-	-	-	-	-	364,724	364,724	120,415	485,139
Adjustments for translation of financial statements of foreign operations and cash flow hedge	-	-	-	(85,675)	-	-	-	(85,675)	(39,652)	(125,327)
Actuarial gain from remeasurement of defined benefit plans	-	-	-	-	-	-	5,596	5,596	-	5,596
Total other comprehensive income	-	-	-	(85,675)	-	-	5,596	(80,079)	(39,652)	(119,731)
Total comprehensive income	-	-	-	(85,675)	-	-	370,320	284,645	80,763	365,408
Exercise of options	265	18,766	-	-	-	(19,031)	-	-	-	-
Dividend declared	-	-	-	-	-	-	(282,470)	(282,470)	-	(282,470)
Non-controlling interests in a company consolidated for the first time	-	-	-	-	-	-	-	-	512	512
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	(101,632)	(101,632)
Transactions with non-controlling interests	-	-	-	-	-	(21,135)	-	(21,135)	(19,037)	(40,172)
Derecognition (creation) of put options for non-controlling interests	-	-	-	-	-	(28,088)	-	(28,088)	(16,708)	(44,796)
Share-based payments	-	-	-	-	-	8,213	-	8,213	501	8,714
Excess tax benefit from share-based payment recognized in equity	-	-	-	-	-	1,270	-	1,270	2,066	3,336
Balance as of December 31, 2025⁶	82,001	328,214	(7,982)	(104,355)	10,186	180,581	990,250	1,478,895	627,870	2,106,765

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

⁶ Retroactive classification due to the merger; see Notes 1E and 4A below.

Consolidated Interim Statements of Cash Flows
(NIS thousands)

	For the three months ended March 31 2026 Unaudited	For the three months ended March 31 2025 ⁷ Unaudited	For the year ended December 31 2025 ⁷
Cash flows from operating activity			
Net income	136,840	125,335	485,139
Adjustments required to reconcile net income to net cash (used in)/provided by operating activities:			
Adjustments to profit or loss items			
Depreciation and amortization	62,591	68,662	272,604
Taxes on income	43,600	36,550	149,512
Change in liabilities for employee benefits	3,267	3,136	8,944
Other finance expenses, net	25,174	12,677	53,938
Revaluation of liabilities in respect of business combinations	562	849	3,481
Capital loss (gain) from disposal of property, plant, and equipment	59	(507)	(296)
Share-based payments	1,445	2,785	8,714
Appreciation of the liability for an option for non-controlling interests	943	1,258	4,540
	137,641	125,410	501,437
Changes in assets and liabilities items			
Decrease (increase) in trade receivables	(232,140)	(21,893)	162,036
Increase in other receivables and prepaid expenses	(87,121)	(84,596)	(29,408)
Decrease (increase) in inventories	(18,259)	9,425	15,992
Increase (decrease) in trade payables	(14,176)	(70,717)	75,894
Increase (decrease) in employees and institutions, deferred revenues, and other payables	(1,989)	22,410	9,357
	(353,685)	(145,371)	233,871
Cash paid and received in the period for			
Interest paid	(31,683)	(24,700)	(59,535)
Interest received	7,992	7,669	28,075
Taxes paid	(36,970)	(41,528)	(172,889)
Taxes received	16,731	21,682	32,069
	(43,930)	(36,877)	(172,280)
Net cash from (used in) operating activities	(123,134)	68,497	1,048,167

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

⁷ Retroactive classification due to the merger; see Notes 1E and 4A below.

Consolidated Interim Statements of Cash Flows
(NIS thousands)

	For the three months ended March 31 2026 Unaudited	For the three months ended March 31 2025 ⁸ Unaudited	For the year ended December 31 2025 ⁸
Cash flows from investing activities			
Proceeds from sale of property, plant, and equipment	170	1,137	1,513
Acquisition of property, plant, and equipment	(11,036)	(11,871)	(41,006)
Acquisition of subsidiaries consolidated for the first time (a)	(3,497)	(79,330)	(79,330)
Capitalized software development costs	(2,107)	(1,792)	(7,819)
Cash payments for deferred payments and contingent liabilities related to business combinations	(11,882)	(1,732)	(12,145)
Proceeds from the sale (purchase) of financial assets, net	(14,283)	2,150	(1,312)
Change in short-term and long-term deposits	680	(2,345)	(1,326)
Net cash used in investing activities	(41,955)	(93,783)	(141,425)
Cash flows from financing activities			
Short-term credit from banks and other credit providers, net	-	45,172	110,423
Receipt of long-term loans	-	120,000	148,500
Repayment of long-term loans from banks and other credit providers	(209,825)	(73,282)	(213,935)
Proceeds from the issuance of convertible bonds	297,272	-	-
Dividend distribution	(579)	(67,830)	(348,745)
Repayment of lease liabilities	(39,916)	(32,950)	(150,869)
Dividend distribution to non-controlling interests	(6,818)	(35,661)	(146,284)
Repayment of a liability from put options on non-controlling interests	(8,696)	-	(49,540)
Acquisition of non-controlling interests	(21,740)	-	-
Repayment of bonds	(33,959)	(33,959)	(67,918)
Net cash used in financing activities	(24,261)	(78,510)	(718,368)
Effect of exchange rate differences for cash and cash equivalents	(6,549)	12,812	(60,824)
Increase (decrease) in cash and cash equivalents	(195,899)	(90,984)	127,550
Cash and cash equivalents at the beginning of the period	1,207,350	1,079,800	1,079,800
Cash and cash equivalents at the end of the period	1,011,451	988,816	1,207,350

⁸ Retroactive classification due to the merger; see Notes 1E and 4A below.

Consolidated Interim Statements of Cash Flows
(NIS thousands)

	For the three months ended March 31 2026 Unaudited	For the three months ended March 31 2025 ⁹ Unaudited	For the year ended December 31 2025 ⁹
(A) Acquisition of subsidiaries consolidated for the first time			
The subsidiaries' assets and liabilities at the acquisition date:			
Working capital (other than cash and cash equivalents)	1,778	(12,558)	(12,558)
Property, plant, and equipment	(476)	(4,394)	(4,394)
Income tax receivable	-	(2,765)	(2,765)
Deferred tax	-	(3,395)	(3,395)
Inventories	-	(1,401)	(1,401)
Goodwill	(6,409)	(72,270)	(72,270)
Intangible assets, net	(3,662)	(30,779)	(30,779)
Employee benefit liabilities	-	2,414	2,414
Tax reserve	916	7,079	7,079
Liability for put options on non-controlling interests	-	26,215	26,215
Non-controlling interests	-	-	-
Liability in respect of a business combination	4,356	12,524	12,524
	<u>(3,497)</u>	<u>(79,330)</u>	<u>(79,330)</u>
(B) Significant non-cash transactions			
Distribution of dividend declared and not yet paid	73,100	110,698	628
Recognition of a right-of-use asset against a lease liability	34,012	23,708	137,337

⁹ Retroactive classification due to the merger; see Notes 1E and 4A below.

Notes to the Consolidated Interim Financial Statements

Note 1 General

- A. Matrix I T Ltd. (the “Company” or “Matrix”) is the leading information technology (IT) company in Israel. The Company was incorporated in Israel on March 12, 1989, and started its business operations on that date. The Company is a global company operating in the fields of IT services and solutions, software products and IT infrastructure, consulting, and management in Israel and internationally.
- B. The Company’s shares are listed on the Tel Aviv Stock Exchange.
- C. The Company is a direct subsidiary of Formula Systems (1985) Ltd. (“Formula Systems” or the “Controlling Shareholder”), which is controlled by Asseco Poland SA.
- D. These financial statements have been prepared in condensed format as of March 31, 2026 and for the three-months period then ended (the “Consolidated Interim Financial Statements”). The condensed consolidated financial statements of the Group as of March 31, 2026 include those of the Company and its subsidiaries (the “Group”) and the Group’s interests in associates and joint arrangements.
- E. In February 2026, the Company completed the acquisition of the entire share capital of Magic Software Enterprises Ltd. (“Magic”), by way of a reverse triangular merger (for further information, see also Note 4A). In accordance with accounting principles, the Magic acquisition transaction (which is considered a business combination under common control) was accounted for using the pooling-of-interests approach. Accordingly, starting from the Q1 2026 financial statements, Magic's assets and liabilities are consolidated at their carrying amount in the financial statements of the controlling shareholder. Furthermore, upon initial consolidation, the comparative figures are presented as if Magic had been consolidated in the Company's financial statements since its acquisition by the controlling shareholder.

Notes to the Consolidated Interim Financial Statements

Note 2 Significant Accounting Policies

A. Changes in the CPI and relevant exchange rates

	March 31, 2026	March 31, 2025	December 31, 2025
CPI (2020 basis)			
Israel (actual CPI)	118.14	116.01	117.8
Israel (known CPI)	117.69	115.44	117.8
NIS exchange rate			
USD	3.165	3.718	3.19
EUR	3.636	4.022	3.75

	For the three months ended March 31, 2026	For the three months ended March 31, 2025	For the year ended December 31, 2025 (%)
CPI (2020 basis)			
Israel (actual CPI)	0.29%	1.05%	2.6%
Israel (known CPI)	(0.10%)	0.28%	2.36%
NIS exchange rate			
USD	(0.78%)	1.95%	(12.53%)
EUR	(2.92%)	5.84%	(1.34%)

B. Preparation format of the consolidated interim financial statements

The consolidated interim financial statements are prepared in accordance with IFRS 34, Interim Financial Reporting and the disclosure requirements of Chapter D of the Israel Securities Regulations (Periodic and Immediate Reports), 1970.

The accounting policy applied in the preparation of the consolidated interim financial statements is consistent with that applied in the preparation of the Consolidated Annual Financial Statements, except as set out in this Note below.

C. Business combinations under common control

The acquisition of Magic (which is considered a business combination under common control – see also Note 4A) was accounted for using the pooling-of-interests approach, in accordance with the following principles:

- The assets and liabilities of the acquired entity are initially recognized in the financial statements at their carrying amount in the financial statements of the controlling shareholder shortly before the business combination.
- The difference between the consideration determined in the transaction and the carrying amount of the net assets of the acquired entity was recognized directly in equity.

The Company's financial statements reflect the financial position and operating results of the acquired entity, which is consolidated through the business combination, as if the combination had occurred on the date on which these entities came under common control. Accordingly, prior periods are restated to reflect the business combination. Therefore, the Company's financial statements include the effect of the merger transaction on a retrospective basis, starting from the earliest period presented in the financial statements. In this context, the share allocation to Formula was reflected retrospectively in the comparative figures, while the allocation of shares to non-controlling shareholders was accounted for in equity at the date the transaction was completed (for further information, see Notes 1E and 4A).

Notes to the Consolidated Interim Financial Statements

Note 2 Significant Accounting Policies

D. Research and development expenses

Research expenses incurred as part of the software development process are recognized in profit or loss when incurred.

An intangible asset created internally from a software development project or from the development phase of an internal project is recognized provided that all of the following conditions are met:

- There is technical feasibility to complete the intangible asset so that it is available for use or sale.
- The Company intends to complete the asset and use or sell it.
- The Company is able to complete the asset and use or sell it.
- The manner in which the asset will generate future economic benefits can be determined.
- Technical, financial, and other resources are available to complete the development and to use or sell the asset.
- Development costs attributable to the asset can be measured reliably.

The Company determines technological feasibility upon completion of a detailed design plan or a working model.

Capitalized software costs are measured at cost, less accumulated amortization and accumulated impairment losses, at the product level.

Amortization of capitalized software costs begins when development is complete and the product is available for use or sale. Once a product is considered available for use, capitalization of costs ceases and their amortization begins as an expense under the cost of revenues and services.

Capitalized software costs are amortized separately for each product using the straight-line method over the estimated useful life of the product (generally five years).

The Company regularly reviews the recoverability of capitalized software costs by examining the recoverable amount of these intangible assets, based on estimated future revenues expected to be generated, less future costs for completion, distribution, maintenance, and customer support over the remaining economic life of the product.

In the years ended December 31, 2025, 2024, and 2023, no unrecoverable amounts were identified.

E. Put options granted to non-controlling interests

The Company accounts for put options granted to non-controlling interests, which do not confer on the Company present ownership rights, under the partial recognition approach.

Under the partial recognition approach, the Company measures the non-controlling interests at the business combination date and subsequently attributes to them their share of total comprehensive income and dividend distributions, in accordance with IFRS 10. At the end of each reporting period, the Company derecognizes the remaining balance of the non-controlling interests and recognizes a financial liability in the amount of the present value of the exercise price for the put option. The difference between the updated value of the derecognized non-controlling interests and the updated value of the financial liability is accounted for at the end of each reporting period as a transaction with holders of non-controlling interests (meaning, the difference is recognized in equity). See Note 2H6 to Chapter B, Annual Financial Statements for 2025.

Notes to the Consolidated Interim Financial Statements

Note 3 Segments

A. General

Description of the Company's activities by operating segments

Following the completion of the Magic acquisition (see also Note 4A), the Company updated its reportable operating segments. Following the change in segment structure resulting from the merger transaction, comparative figures for prior periods have been reclassified. In accordance with IFRS 8, Operating Segments, the operating segments are determined using the management approach, based on the organizational structure and the information reviewed by the Company's chief operating decision maker for the purpose of allocating resources. Accordingly, as of this date, the Group operates according to three (3) reported operating segments.

IT Solutions, Software Products & Services and Systems Engineering – Israel

The segment's activities include a wide range of technological and other solutions and services, as well as the sale and marketing of software products (including those owned by the Company) in Israel.

Segment activities include: Solutions and services in the areas of enterprise core systems, Data & AI, information security, cyber, and digital This includes: Development, implementation, and integration of information systems; execution of IT and software integration projects; development of C4ISR systems for security agencies; provision of expert services (staff augmentation) and technological consulting; offshore/nearshore services, BPO and call center services; training and implementation; software development services; software testing (QA); system upgrades and modernization; and solutions in data, AI, digital, cyber, and information security. The segment also includes: Marketing, implementation, and support of software products from leading manufacturers, and the development, marketing, implementation, and maintenance of proprietary software solutions for various sectors, such as healthcare and human resources. The segment also includes management and engineering consulting services, management of complex projects, engineering supervision, and planning and advisory services in the fields of national infrastructure, transportation, environment, supply-chain management, and logistics.

Notes to the Consolidated Interim Financial Statements

Note 3 Segments (cont.)

A. General (cont.)

IT Solutions and Software Products & Services – International

The segment's activities include a wide range of technological and other solutions and services, as well as the sale and marketing of software products (including those owned by the Company) in other countries.

Segment activities include: Provision of advanced IT solutions and services, including software development, integration, and expert services (staff augmentation); Data & AI solutions; digital customer experience, enterprise systems, and managed services; consulting, development, and implementation services for governance, risk, and compliance (GRC) solutions, including fraud prevention, anti-money laundering, and cyber risk mitigation; cloud solutions and application development. Additionally, the segment includes the development, marketing, licensing, and support of proprietary software products and technological platforms, including Low-Code platforms, application development platforms, and enterprise application integration platforms (Magic xpa, Magic xpi, and others), as well as dedicated software solutions for various sectors, such as logistics and distribution, and telecom and media, which are marketed to international customers.

The activities in this segment are conducted through the Group's subsidiaries in the United States and North America, Europe, Japan, and dozens of other countries worldwide, serving as the international operations arm of the Group.

Cloud Solutions, IT Infrastructure & Systems – Israel and International

This segment includes the Group's activities in the field of cloud, IT infrastructure, hardware, and technological equipment.

Segment activities include: Provision of solutions and services in the field of cloud computing, including consulting, architecture planning, development, implementation, and the management of public, private, and hybrid cloud environments (IaaS, PaaS, SaaS); managed services, operational support, and FinOps services supported by advanced AI processes; digital transformation services, system modernization, DevOps, and the optimization of cloud infrastructures; IT, communication, multimedia, and command and control center solutions for smart offices; cyber and information security solutions; marketing and sale of hardware, software licenses, and peripheral equipment; office automation and printing solutions; test and measurement equipment, and communication, cyber, and RF solutions; as well as the import, sale, and servicing of automated manufacturing machines for component assembly and automated testing in the fields of industrial, medical, and military equipment, lasers and sensors, optical communications, and radar.

Notes to the Consolidated Interim Financial Statements

Note 3 Segments (cont.)

B. Composition

For the three months ended March 31, 2026 - unaudited (NIS thousands)

	IT Solutions, Software Products & Services and Systems Engineering – Israel	Cloud Solutions, IT Infrastructure & Systems – Israel and International	IT Solutions and Software Products & Services – International	Adjustments	Total
Revenues to non- related parties	1,273,093	512,345	342,143	-	2,127,581
Inter-segment revenues	30,430	17,648	2,519	(50,597)	-
Total revenues	1,303,523	529,993	344,662	(50,597)	2,127,581
Segment results	126,613	42,737	37,812	(4,092)	203,070
Finance expenses					(31,771)
Finance income					7,992
Taxes on income					(42,451)
Net income					136,840

Notes to the Consolidated Interim Financial Statements

Note 3 Segments (cont.)

B. Composition (cont.)

For the three months ended March 31, 2025 - unaudited (NIS thousands)

	IT Solutions, Software Products & Services and Systems Engineering – Israel	Cloud Solutions, IT Infrastructure & Systems – Israel and International	IT Solutions and Software Products & Services – International	Adjustments	Total
Revenues to non- related parties	1,239,025	488,045	349,968	-	2,077,038
Inter-segment revenues	22,414	7,551	159	(30,124)	-
Total revenues	1,261,439	495,596	350,127	(30,124)	2,077,038
Segment results	105,180	46,254	34,957	(3,525)	182,866
Finance expenses					(28,195)
Finance income					7,669
Taxes on income					(36,550)
Company's share in losses of associates					(455)
Net income					125,335

Notes to the Consolidated Interim Financial Statements

Note 3 Segments (cont.)

B. Composition (cont.)

For the year ended December 31, 2025 (audited) (NIS thousands)

	IT Solutions, Software Products & Services and Systems Engineering – Israel	Cloud Solutions, IT Infrastructure & Systems – Israel and International	IT Solutions and Software Products & Services – International	Adjustments	Total
Revenues to non-related parties	5,027,547	1,921,432	1,438,003	-	8,386,982
Inter-segment revenues	67,260	43,708	982	(111,950)	-
Total revenues	5,094,807	1,965,140	1,438,985	(111,950)	8,386,982
Segment results	431,230	172,652	145,706	(19,634)	729,954
Finance expenses					(122,258)
Finance income					28,075
Taxes on income					(149,582)
Company's share in losses of associates					(1,050)
Net income					485,139
Additional information					
Cost of revenues	4,323,588	1,647,356	1,001,084	(111,950)	6,860,078
Depreciation and amortization	185,611	47,977	39,016	-	272,604

Notes to the Consolidated Interim Financial Statements

Note 4 Material events during the reporting period

A. Completion of the merger transaction with Magic

On February 24, 2026, the merger was completed, following the fulfillment of the preconditions set out 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.

B. Signing of a put/call option agreement with a minority shareholder in Comblack

In November 2025, an option agreement was signed between Magic and a minority shareholder in Comblack IT Ltd. ("Comblack"), a subsidiary of the Company, in connection with the grant of a put option/call option for the sale/purchase, respectively, of all the minority shareholder's shares in Comblack (19.76%). The consideration for the exercise of the put option (or the call option with the required changes as stated), is calculated based on Company valuation to be determined in accordance with the future results of the subsidiary.

C. Issuance of convertible bonds (Series 2)

On February 4, 2026, the Company completed the issuance of convertible bonds (Series 2) with a par value of NIS 297 million, for a gross consideration of NIS 300.6 million. The bonds bear annual interest of 0.5% and are due in a single payment on February 1, 2031. The convertible bonds (Series 2) are convertible on any trading day such that every 178.4 NIS par value of bonds is convertible into one share of the Company (after adjustment for dividend distribution). For further information about the issuance of convertible bonds (Series 2), see Note 25A to the annual financial statements.

Most of the proceeds from the issuance of the convertible bonds (Series 2) were used, after the completion of the Magic transaction (see below), to repay existing bank debt in Magic, in a total amount of NIS 200 million.

Notes to the Consolidated Interim Financial Statements

Note 4 – Material Events in the Period (cont.)

D. Acquisition of Savannah

On December 1, 2025, the Company, through CommIT (a subsidiary of the Company), completed the acquisition of 75% of the share capital of Savannah Solutions Ltd., which specializes in building development teams for startups by recruiting and employing developers from African countries on an outsourced basis. The basic purchase consideration amounted to NIS 3.75 million, plus additional contingent consideration based on the Company's future financial results.

As of the reporting date, the valuation underlying the purchase price allocation (PPA) of the assets and liabilities has not yet been finalized; accordingly, this allocation is provisional, based on management's assessment, and may be updated in subsequent periods upon completion of the valuation. Based on the provisional allocation, the excess cost of acquisition amounting to NIS 5.2 million was attributed to net intangible assets in the amount of NIS 1.4 million, with the remaining balance allocated to goodwill. As noted above, the Group recognized the fair value of the acquired assets and assumed liabilities in the business combination according to a provisional measurement. Accordingly, the consideration for the acquisition and the fair value of the acquired assets and liabilities may be finally adjusted up to 12 months from the acquisition date.

E. Acquisition of Martin Control Systems

On March 12, 2026, the Company, through its subsidiary Magic Software Industries, completed the acquisition of 100% of the share capital of Martin Control Systems for USD 3 million. Martin Control Systems is a US-based system integrator, specializing in industrial automation services and control systems integration. The Company provides industrial manufacturers with end-to-end solutions, including consulting, planning, engineering, development, integration, installation, and commissioning of industrial control systems. The operating results of Martin Control Systems will be included in the Company's consolidated financial statements (within the IT Solutions and Software Products & Services – International segment) beginning in the second quarter of 2026.

As of the reporting date, the valuation underlying the purchase price allocation (PPA) of the assets and liabilities has not yet been finalized; accordingly, this allocation is provisional, based on management's assessment, and may be updated in subsequent periods upon completion of the valuation. Based on the provisional allocation, the excess cost of acquisition amounting to USD 2.94 million was attributed to net intangible assets in the amount of USD 0.9 million, with the remaining balance allocated to goodwill. As noted above, the Group recognized the fair value of the acquired assets and assumed liabilities in the business combination according to a provisional measurement. Accordingly, the consideration for the acquisition and the fair value of the acquired assets and liabilities may be finally adjusted up to 12 months from the acquisition date.

F. Acquisition of minority rights in the subsidiary Integrity Software Ltd.

In March 2026, the Company acquired the full minority rights (35%) in the subsidiary Integrity Software Ltd., for a total consideration of NIS 30 million, such that the Company currently holds the entire share capital of the subsidiary.