Matrix IT Ltd.

Quarterly Report as of June 30, 2026

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Board of Directors' Report for the six months ended June 30, 2026

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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 over 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 (which is considered a business combination under common control) was accounted for using the As Pooling 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 environment[1]

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 may generate inflationary pressures again, 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.

As of the publication date of the report, the annual inflation rate in the United States stands at 3.5% (June 2026, LTM) and the Federal Reserve interest rate stands at 3.75%.

In the Eurozone, the inflation rate stands at 2.8% (June 2026, LTM), and the European Central Bank interest rate stands at 2.4%.

B. Economic environment in Israel

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

C. Security situation

As of the publication date of the report, the war, which broke out on October 7, 2023, continues to affect Israel's geopolitical and economic environment. In the context of the war and its implications, Israel is engaged in military operations against terrorist organizations supported by Iran in Gaza, Lebanon, Syria, and Yemen. In addition, since early 2026, a campaign has been taking place between the United States and Iran, initially with Israeli involvement. As of the publication date of the report, the conflict between the United States and Iran continues, alongside ongoing negotiations aimed at bringing it to an end.

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).

Throughout the war, the Israeli economy demonstrated robustness and resilience. Moreover, starting in the second half of 2024, 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 intensified fighting resumes against Iran and its proxies, this could have a negative impact on the Israeli economy as a whole.

[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.

D. Effect on the Company's operating results

As of the date of the financial statements and the publication date of the report, 417 and 346 (respectively) of the Company's employees have been called up for reserve duty.

Notwithstanding the above, as set out below, the Company's operations in the second quarter and the first half 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 operating results.

E. Economic indicators

1) Inflation and interest

   In recent months, there has been a noticeable downward trend in inflation in Israel, accompanied by falling interest rates in the economy. As of the publication date of the report, the CPI (June 2026, LTM) stands at 1.6% and the Bank of Israel interest rate stands at 3.5%.

   According to the Bank of Israel (Research Department's macroeconomic forecast, July 2026), the inflation rate at the end of 2026 is expected to be 1.8%, and the Bank of Israel interest rate in the second quarter of 2027 is expected to be 3%.

   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 (more than 50% 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.

   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 in revenues, and particularly in income; for further information see section 1.1.5 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), the Company recorded finance expenses due to FX differences of NIS 11.3 million and NIS 15.3 million in the second quarter and the period, respectively. The Company also recorded movements in the foreign currency translation reserve (net of hedging activities recognized in the capital reserve) of NIS 59.2 million and NIS 68.2 million, respectively, which were recognized in other comprehensive income.

F. High-tech sector

As a provider of IT solutions, products, and services, the Company competes with other high-tech companies for high-quality talent.

The past three years have been challenging for Israel’s high-tech sector. This is reflected, among other things, in a decline in demand for technological personnel, particularly entry-level employees (juniors). Additionally, over the past year, a trend of layoffs has been evident in the Israeli high-tech industry – particularly among software companies and startups, which, according to Company announcements, has been influenced, among other factors, by the accelerated adoption of AI tools in development and operational processes. According to a January 2026[2] survey by the Israel Innovation Authority, 35% of high-tech companies reported layoffs in the six months preceding the survey, alongside efficiency measures driven, among other factors, by the implementation of AI tools.

In the Company's assessment, the decline in demand for high-tech personnel may ease the Company’s recruitment and retention efforts and moderate upward wage pressures. Additionally, as set out below, the Company's activity in the second quarter and in the first half of 2026 was characterized by continued growth in both operational volumes and results, and the Company continues to recruit employees at an accelerated pace (as of the publication date of the report, the Company has several hundred open positions).

However, since the labor costs constitute the principal component of the Company’s operating expenses, and its activity relies to a significant extent on the recruitment and employment of technological personnel, the trends described above – arising from the adoption of AI tools, alongside the potential advantages associated with efficiency gains and productivity improvements in development and operational processes – may affect, among other things, the composition of the workforce, salary costs, and the scope of recruitment and employment at the Company in the medium and long term.

A significant part of the Company's revenues (20% of revenues in 2025) is generated from customers in the high-tech sector. Accordingly, uncertainty in the high-tech industry could lead to a reduction in demand and potentially affect some of the Company's customers in this sector, negatively impacting the Company's operating results.

The information in this section above, including regarding the Company's assessments of the effect of the security and economic situation, interest rates and inflation trends, exchange rates, trends in the high-tech sector, and the effect of implementing AI tools on the Company's operations, 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.

[2] https://innovationisrael.org.il/wp-content/uploads/2026/01/Employers-Survey-Repor-2026.pdf

1.1.4. Material events

A. Completion of the merger transaction with Magic

On February 24, 2026, the merger between the Company and Magic Software Enterprises Ltd. ("Magic") 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 from the date of completion of the merger, Magic became a wholly owned (100%) subsidiary of the Company. Upon completion of the transaction, Magic's shares were delisted from NASDAQ and TASE, and Magic ceased to be a public company.

B. 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 176.2 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, following the completion of the Magic transaction (see below), to repay existing bank debt in Magic, in a total amount of NIS 200 million.

C. Acquisition of subsidiaries

For further information about the acquisition of subsidiaries in the period, see Note 4C to the interim consolidated financial statements.

D. Acquisition of non-controlling interests in subsidiaries

For further information about the acquisition of additional non-controlling interests in the Company's subsidiaries, see Note 4D to the interim consolidated financial statements.

Events subsequent to the reporting date

E. Signing of an agreement for the acquisition of Laor Energy Ltd.

On July 9, 2026, the Company, through a wholly owned subsidiary, entered into an agreement to acquire 80% of the share capital of Laor Energy (1993) Ltd. ("Laor") for a consideration of NIS 73 million. Under the terms of the agreement, the Company and the seller hold reciprocal put and call options for the sale and purchase, respectively, of the seller's remaining shares in Laor. Laor specializes in the integration of electrical systems and electromechanical components, including the provision of end-to-end (E2E) solutions – primarily command and control units, energy platforms, electrical systems, and complementary products, mainly for the defense sector. Completion of the transaction is subject to the fulfillment of standard preconditions for transactions of this type, the principal one being the approval of the Competition Authority. For further information, see the Company's immediate report dated July 9, 2026 (Ref. No. 2026-01-065401).

F. Request for discovery and inspection of documents – update

For further information about the decision of the District Court regarding the request for discovery and inspection of documents under Section 198A of the Companies Law, pursuant to which the court partially granted the request, see the Company's immediate report dated May 21, 2026 (Ref. No.: 2026-01-047208).

G. Acquittal of a subsidiary of the Company

For further information about the decision of the District Court to acquit Matrix IT Integration and Infrastructure Ltd., a subsidiary of the Company, and a former junior employee of the subsidiary, of the offenses of being a party to a restrictive arrangement and obtaining a benefit by fraud, see the Company's immediate report dated June 1, 2026 (Ref. No. 2026-01-051910).

1.1.5. Key results for the second quarter and six months ended June 30, 2026

Against the backdrop of the significant depreciation of the USD against the NIS in the reporting periods (a decrease of 17.6% and 15.6% in the average USD exchange rate in the quarter and the period**, compared with the corresponding periods, respectively), the key operating results are also presented below, excluding the effect of exchange rate changes, on a Constant Currency basis.[3] For further information see section 1.1.6 below.**

- Revenues increased in the quarter and the period by 6.3% and 4.3% to a total of NIS 2.12 billion and NIS 4.2 billion, respectively. **Revenue growth on a Constant Currency basis in the quarter and the period was 15.3% and 12.3%, respectively.**
- Operating income increased in the quarter and the period by 10.6% and 10.8% to a total of NIS 202.2 million and NIS 405.3 million, respectively. **Operating income growth on a Constant Currency basis in the quarter and the period was 20.6% and 19.2%, respectively.**
- Net income increased in the quarter and the period by 13.4% and 11.3% to a total of NIS 135.4 million and NIS 272.3 million, respectively. **Net income growth on a Constant Currency basis in the quarter and the period was 32.4% and 25.6%, respectively.**

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

- **Revenues** in the IT Solutions, Software Products & Services, and Systems Engineering – Israel segment (**on a Constant Currency basis**) **increased by 10.4% and 7.5% in the quarter and the period, respectively; the segment's operating income increased by 16.1% and 19.2% in the quarter and the period, respectively.**
- **Revenues** in the IT Solutions and Software Products & Services – International segment (**on a Constant Currency basis**) **increased by 13% and 13.4% in the quarter and the period, respectively; the segment's operating income increased by 17.4% and 20.6% in the quarter and the period, respectively.**
- **Revenues** in the Cloud Solutions, IT Infrastructure & Systems – Israel and International (**on a Constant Currency basis**) **increased by 35.5% and 28.3% in the quarter and the period, respectively; the segment's operating income increased by 40.8% and 18.3% in the quarter and the period, respectively.**

[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 business units and subsidiaries whose operations are materially exposed to fluctuations in exchange rates. In addition, net income results on a Constant Currency basis exclude finance expenses from FX differences, net of tax.
These non-GAAP financial measures should not be considered as a substitute for, or as superior in importance to, the financial performance measures prepared in accordance with generally accepted accounting principles (GAAP). All growth comparisons refer to the corresponding periods.

1.1.6. Analysis of the effect of the depreciation of the USD exchange rate against the NIS on the operating results

The reporting period was characterized by a sharp decline in the USD exchange rate against the NIS. The average USD exchange rate in the quarter and the period depreciated by 17.6% and 15.6%, respectively.

To offset the external effects of such exchange rate fluctuations, the Company's revenues and operating income are presented below on a Constant Currency basis[4], which eliminates exchange rate effects between reporting periods and allows the presentation of business results on a consistent comparative basis.

Reported results (NIS thousands):

	For the 3 months ended June 30, 2026	For the 3 months ended June 30, 2025	Change (%)	For the 6 months ended June 30, 2026	For the 6 months ended June 30, 2025	Change (%)
Revenues	2,119,424	1,994,394	6.3%	4,247,005	4,071,432	4.3%
Operating income	202,196	182,739	10.6%	405,266	365,605	10.8%
Operating income margin	9.5%	9.2%		9.5%	9%	
Net income	135,427	119,380	13.4%	272,267	244,715	11.3%
Net income margin	6.4%	6%		6.4%	6%	

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

	For the 3 months ended June 30, 2026	For the 3 months ended June 30, 2025	Change (%)	For the 6 months ended June 30, 2026	For the 6 months ended June 30, 2025	Change (%)
Revenues	2,300,488	1,994,394	15.3%	4,571,246	4,071,432	12.3%
Operating income	220,351	182,739	20.6%	435,800	365,605	19.2%
Operating income margin	9.5%	9.2%		9.5%	9%	
Net income	158,108	119,380	32.4%	307,436	244,715	25.6%
Net income margin	6.9%	6%		6.7%	6%	

[4] For information about the presentation of data on a Constant Currency basis, see footnote (3) above.

1.1.7. Condensed statements of consolidated profit or loss for the three and six months ended June 30, 2026 and 2025 (NIS thousands)

	For the three months ended	For the three months ended	Change (%)	For the six months ended	For the six months ended	Change (%)
	June 30, 2026	**June 30, 2025**		**June 30, 2026**	**June 30, 2025**	
Revenues	2,119,424	1,994,394	6.3%	4,247,005	4,071,432	4.3%
Cost of revenues and services	1,732,458	1,619,960	6.9%	3,477,321	3,323,150	4.6%
Gross profit	**386,966**	**374,434**	**3.3%**	**769,684**	**748,282**	**2.9%**
% of revenues	**18.3%**	**18.8%**		**18.1%**	**18.4%**	
Research and development expenses	9,345	12,265	(23.8%)	18,525	23,995	(22.8%)
Selling and marketing expenses	92,949	94,369	(1.5%)	180,493	188,198	(4.1%)
General and administrative expenses	82,476	85,061	(3%)	165,400	170,484	(3%)
Operating income	**202,196**	**182,739**	**10.6%**	**405,266**	**365,605**	**10.8%**
% of revenues	**9.5%**	**9.2%**		**9.5%**	**9%**	
Finance expenses, net	26,525	25,807	2.8%	50,304	46,333	8.6%
Income before taxes on income	175,671	156,932	11.9%	354,962	319,272	11.2%
Taxes on income	40,244	36,957	8.9%	82,695	73,507	12.5%
Company's share in losses of associates	-	595	(100%)	-	1,050	(100%)
Net income	**135,427**	**119,380**	**13.4%**	**272,267**	**244,715**	**11.3%**
% of revenues	**6.4%**	**6%**		**6.4%**	**6%**	
Net income attributable to the:						
The Company's shareholders	122,597	90,136	36%	243,333	182,622	33.2%
Non-controlling interests	12,830	29,244	(56.1%)	28,934	62,093	(53.4%)
Net income	**135,427**	**119,380**	**13.4%**	**272,267**	**244,715**	**11.3%**
% of revenues	**6.4%**	**6%**		**6.4%**	**6%**	
EBITDA[5]	**266,265**	**252,566**	**5.4%**	**531,926**	**504,094**	**5.5%**
% of revenues	**12.6%**	**12.7%**		**12.5%**	**12.4%**	

[5] Earnings before financing, taxes, depreciation and amortization

1.2 Analysis of operating results

1.2.1 Seasonality

The second quarter (similar to the corresponding quarter) was affected by the Passover holiday and other holidays (see also section 9, Seasonality, in the Description of Company Operations in the Periodic Report). Accordingly, the number of working days in the second quarter of this year (similar to the corresponding quarter) is lower compared with the first quarter of 2026. The number of working hours in the second quarter is 1.7% lower compared with the corresponding quarter.

1.2.2 Analysis of consolidated profit or loss

1) Revenues

The Company's revenues amounted to NIS 2,119.4 million in the quarter, compared with NIS 1,994.3 million in the corresponding quarter, an increase of 6.3%. **The rate of increase in revenues in the quarter, excluding the effect of the depreciation of the USD (a 17.6% decrease in the average USD exchange rate compared with the corresponding quarter), amounted to 15.3% (see section 1.1.5 below).**
Company revenues amounted to NIS 4,247 million in the period, compared with NIS 4,071.4 million in the corresponding period, an increase of 4.3%. **The rate of increase in revenue in the period, excluding the effect of the depreciation of the USD against the NIS, was 12.3% (see section 1.1.5 below).**

The increase in revenue in the quarter and the period was 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 decrease in revenue in the IT Solutions and Software Products & Services – International segment, due to the adverse effect of the depreciation of the USD against the NIS (in Constant Currency terms, revenues in this segment increased by 13% and 13.4% in the quarter and the period, respectively).

The increase in revenues in the quarter and the period was affected by the first-time consolidation of the operating results of companies acquired by the Company. Excluding the effect of the first-time consolidation of these companies, the Company recorded organic revenue growth of 5.7% and 4% for the quarter and the period, respectively.

Excluding the effect of the depreciation of the USD and excluding the effect of first-time consolidation, the Company recorded organic growth of 14.7% and 12% for the quarter and the period, respectively.

2) Gross profit

Gross profit in the quarter amounted to NIS 387 million (18.3% of revenues), compared with NIS 374.4 million in the corresponding quarter (18.8% of revenues), an increase of 3.3%.

Gross profit amounted to NIS 769.7 million in the period (18.1% of the revenues), compared with NIS 748.3 million in the corresponding period (18.4% of the revenues), an increase of 2.9%.

The increase in gross profit in the quarter and the period compared with the corresponding period is due to the increase in the scope of the Company's operations. The decrease in the profit margin is due to a change in the transactions mix in the reporting periods.

3) **Research and development expenses**

Research and development expenses are attributable to activities for developing technological and application-level 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 9.3 million in the quarter (0.4% of revenues), compared with NIS 12.2 million in the corresponding quarter (0.6% of revenues).

Gross research and development expenses (including capitalized research and development costs) amounted to NIS 11.2 million in the quarter (0.5% of revenues), compared with NIS 14 million in the corresponding quarter (0.7% of revenues).

Net research and development expenses amounted to NIS 18.5 million in the period (0.4% of revenues), compared with NIS 23.9 million in the corresponding period (0.6% of revenues).

Gross research and development expenses (including capitalized research and development costs) amounted to NIS 22.4 million in the period (0.5% of revenues), compared with NIS 27.5 million in the corresponding period (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 175.4 million in the quarter (8.3% of revenues), compared with NIS 179.4 million in the corresponding quarter (9% of revenues).

SG&A expenses amounted to NIS 345.9 million in the period (8.1% of revenues), compared with NIS 358.7 million in the corresponding period (8.8% of revenues).

The decrease in SG&A expenses in the quarter and the period 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 and period.

It should be noted that selling expenses include an amount of NIS 11.3 million and NIS 21.7 million in the quarter and the period, respectively (compared with NIS 15.2 million and NIS 28.9 million in the corresponding periods) attributable to amortization of intangible assets arising from business combinations.

General and administrative expenses include NIS 1 million and NIS 2.4 million in the quarter and in the period, respectively (compared with NIS 1.8 million and NIS 4.5 million in the corresponding periods) relating to share-based payment expenses for officers and executives.

5) **Operating income**

Operating income in the quarter amounted to NIS 202.2 million (9.5% of revenues), compared with NIS 182.7 million in the corresponding quarter (9.2% of revenues), an increase of 10.6%.

Operating income in the period amounted to NIS 405.3 million (9.5% of revenues), compared with NIS 365.6 million in the corresponding quarter (9% of revenues), an increase of 10.8%.

The rate of increase in operating income in the quarter and the period, excluding the impact of the depreciation of the USD against the NIS, was 20.6% and 19.2%, respectively (see section 1.1.5 above).

The increase in operating income in the quarter and period, compared with the corresponding periods, is attributed to income growth across all segments, with the exception of a slight decrease in the quarter in the IT Solutions and Software Products & Services – International, in view of the negative impact of the depreciation of the USD against the NIS (operating income of this segment denominated in USD, in the quarter and the period, increased by 17.4% and 20.6%, respectively).

Excluding the effect of first-time consolidation of acquired companies (the effect of first-time consolidation of these companies on operating income is not material), the Company recorded organic growth in operating income of 10.1% and 10.4% in the quarter and the period, respectively.

Excluding the effect of the depreciation of the USD and excluding the effect of first-time consolidation of the acquired companies, the Company recorded organic growth of 20% and 18.9% for the quarter and the period, respectively.

The increase in operating income in the quarter and period, as well as in operating margin, compared with the corresponding periods last year, is mainly attributed to an increase in the volume of the Company’s activity and ongoing operational efficiency measures within the Company, which are reflected mainly in the IT Solutions, Software Products & Services, and Systems Engineering – Israel segment.

6) **Finance expenses / revenues (net)**

Finance expenses (net) amounted to NIS 26.5 million in the quarter, compared with NIS 25.8 million in the corresponding quarter, an increase of NIS 0.7 million (2.8%).

Finance expenses (net) amounted to NIS 50.3 million in the period, compared with NIS 46.3 million in the corresponding period, an increase of NIS 4 million (8.6%).

Composition of net finance expenses (NIS thousands)

	For the three months ended	For the three months ended	Change	For the six months ended	For the six months ended	Change
	June 30, 2026	**June 30, 2025**		**June 30, 2026**	**June 30, 2025**	
Interest, commissions, and other (net)	7,089	9,044	(1,955)	15,725	18,826	(3,101)
FX differences	11,266	8,898	2,368	15,317	8,640	6,677
Accounting finance expenses*	8,170	7,865	305	19,262	18,867	395
Total finance expenses (net)	**26,525**	**25,807**	**718**	**50,304**	**46,333**	**3,971**

* 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 indicated above, the vast majority of the increase in finance expenses in the second quarter and the period, compared with the corresponding periods, is due to an increase in FX differences, due to the depreciation of the USD against the NIS by 5.9% and 6.6% in the quarter and the period, respectively. The increase was partially offset by a decrease in cash interest expenses on the Company's financial liabilities (net of finance income from investments and deposits) in the quarter and the period, compared with the corresponding periods.

7) Taxes on income

Tax expenses amounted to NIS 40.2 million in the quarter (22.9% of the income before tax), compared with NIS 36.9 million in the corresponding quarter (23.5% of the income before tax).

Tax expenses amounted to NIS 82.7 million in the period (23.3% of the income before tax), compared with NIS 73.5 million in the corresponding period (23% of the 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 135.4 million (6.4% of revenues), compared with NIS 119.3 million in the corresponding quarter (6% of revenues), an increase of 13.4%.

Net income amounted to NIS 272.3 million in the period (6.4% of the revenues), compared with NIS 244.7 million in the corresponding period (6% of revenues), an increase of 11.3%.

The rate of increase in net profit in the quarter and the period, excluding the impact of exchange-rate fluctuations, was 32.4% and 25.6%, respectively (see section 1.1.5 above).

9) Net income attributable to equity holders of the Company

Net income attributable to shareholders of the Company in the quarter amounted to NIS 122.6 million (5.8% of revenues), compared with NIS 90.1 million in the corresponding quarter (4.5% of revenues), an increase of 36%.

Net income attributable to shareholders of the Company in the period amounted to NIS 243.3 million (5.7% of revenues), compared with NIS 182.6 million in the corresponding period (4.5% of revenues), an increase of 33.2%.

In this context, it should be noted that in accordance with the As Pooling approach, which was applied in the first-time consolidation of Magic by the Company (under which comparative figures are presented as if Magic had been consolidated in the financial statements since its acquisition by the controlling shareholder), the non-controlling interests in Magic, up to the date Magic was acquired by the Company, were calculated based on Formula's holding percentage in Magic up to that date (46.7%). At the transaction date, the Company also acquired the non-controlling interests in Magic (as part of the Magic transaction).

10) Total comprehensive income (NIS thousands)

	For the three months ended June 30, 2026	For the three months ended June 30, 2025	For the six months ended June 30, 2026	For the six months ended June 30, 2025
Net income	135,427	119,380	272,267	244,715
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	241	455	2,166	1,790
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	(63,178)	(88,235)	(71,553)	(66,226)
Change in fair value of instruments used in cash flow hedging	3,956	(1,450)	3,363	(1,729)
Total comprehensive income	**76,446**	**30,150**	**206,243**	**178,550**

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 June 30, 2026	For the three months ended June 30, 2025	Change (%)	For the six months ended June 30, 2026	For the six months ended June 30, 2025	Change (%)
Operating income	202,196	182,739	10.6%	405,266	365,605	10.8%
Depreciation and amortization	64,069	69,827	(8.2%)	126,660	138,489	(8.5%)
EBITDA	**266,265**	**252,566**	**5.4%**	**531,926**	**504,094**	**5.5%**
% of total revenues	12.6%	12.7%		12.5%	12.4%	
Excluding expenses for application of IFRS 16[6]	42,602	46,104	(7.6%)	86,745	91,234	(4.9%)
EBITDA excluding the effect of IFRS 16	**223,663**	**206,462**	**8.3%**	**445,181**	**412,860**	**7.8%**
% of total revenues	10.6%	10.4%		10.5%	10.1%	

[6] In accordance with IFRS 16, Leases, depreciation and finance expenses must be recognized in respect of a lease, instead of lease payments.

12) **Representative cash earnings attributable to shareholders (NIS thousands)**

The representative cash earnings attributable to shareholders is presented as an additional non-GAAP performance measure for understanding the Company's operating results. This is a commonly used metric, calculated as the net profit attributable to the shareholders, excluding major non-cash expenses and non-recurring events (net of tax, where applicable), as detailed below:

	LTM June 30, 2026	LTM June 30, 2025
Net income attributable to Company shareholders	425,435	351,679
Adjustment of the holding in Magic prior to the acquisition date(1)	26,624	74,788
Amortization of intangible assets acquired in a business combination	53,664	60,448
Share-based payments	6,609	15,061
Accounting finance expenses(2)	9,141	11,540
Non-recurring transaction costs(3)	20,000	-
Net of the effect of non-controlling interests and tax	(12,063)	(13,439)
Total	529,410	500,077

(1) Up to the acquisition date, non-controlling interests in Magic are presented based on Formula's previous holding (46.7%) adjusted to reflect Magic's 100% holding for all periods presented.

(2) Mainly for put options on non-controlling interests

(3) Costs associated with the Magic acquisition recognized in the financial statements of Magic (including for adjustments to accounting policies and estimates to align with the Company's policy)

13) **Earnings per share attributable to the Company's shareholders (NIS)**

	For the three months ended	For the three months ended	For the six months ended	For the six months ended
	June 30, 2026	**June 30, 2025**	**June 30, 2026**	**June 30, 2025**
Diluted net earnings per share attributable to the Company's shareholders	1.32	1.17	2.62	2.36

1.2.3 Condensed consolidated statements of profit or loss by operating segments for the three months ended June 30, 2026 and 2025 and for the six months then ended (NIS thousands)

	Reporting results						Constant Currency basis results					
	For the three months ended June 30, 2026	For the three months ended June 30, 2025	Change (%)	For the six months ended June 30, 2026	For the six months ended June 30, 2025	Change (%)	For the three months ended June 30, 2026	For the three months ended June 30, 2025	Change (%)	For the six months ended June 30, 2026	For the six months ended June 30, 2025	Change (%)
Revenues according to operating segment												
IT Solutions, Software Products & Services, and Systems Engineering – Israel	1,280,392	1,177,750	8.7%	2,583,915	2,439,189	5.9%	1,300,631	1,177,750	10.4%	2,621,289	2,439,189	7.5%
IT Solutions and Software Products & Services – International	343,102	368,480	(6.9%)	687,764	718,607	(4.3%)	416,381	368,480	13%	814,806	718,607	13.4%
Cloud Solutions, IT Infrastructure & Systems – Israel and International	548,944	469,899	16.8%	1,078,937	965,495	11.7%	636,490	469,899	35.5%	1,238,762	965,495	28.3%
Inter-segment adjustments	(53,014)	(21,735)		(103,611)	(51,859)		(53,014)	(21,735)		(103,611)	(51,859)	
Total revenues	**2,119,424**	**1,994,394**	**6.3%**	**4,247,005**	**4,071,432**	**4.3%**	2,300,488	1,994,394	15.3%	4,571,246	4,071,432	12.3%
Operating income												
IT Solutions, Software Products & Services, and Systems Engineering – Israel	123,940	109,164	13.5%	250,553	214,344	16.9%	126,760	109,164	16.1%	255,456	214,344	19.2%
IT Solutions and Software Products & Services – International	41,807	43,226	(3.3%)	79,619	78,183	1.8%	50,736	43,226	17.4%	94,326	78,183	20.6%
Cloud Solutions, IT Infrastructure & Systems – Israel and International	40,094	33,030	21.4%	82,831	79,284	4.5%	46,500	33,030	40.8%	93,755	79,284	18.3%
Inter-segment adjustments	(3,645)	(2,681)		(7,737)	(6,206)		(3,645)	(2,681)		(7,737)	(6,206)	
Operating income	**202,196**	**182,739**	**10.6%**	**405,266**	**365,605**	**10.8%**	220,351	182,739	20.6%	435,800	365,605	19.2%

	For the three months ended **June 30, 2026**	For the three months ended **June 30, 2025**	For the six months ended **June 30, 2026**	For the six הmonths ended **June 30, 2025**
	%	**%**	**%**	**%**
Operating income margin				
IT Solutions, Software Products & Services, and Systems Engineering – Israel	9.7%	9.3%	9.7%	8.8%
IT Solutions and Software Products & Services – International	12.2%	11.7%	11.6%	10.9%
Cloud Solutions, IT Infrastructure & Systems – Israel and International	7.3%	7%	7.7%	8.2%
Operating income margin (%)	**9.5%**	**9.2%**	**9.5%**	**9%**

	For the three months ended **June 30, 2026**	For the three months ended **June 30, 2025**	For the six months ended **June 30, 2026**	For the six הmonths ended **June 30, 2025**
	%	**%**	**%**	**%**
Revenues by operating segment (%)				
IT Solutions, Software Products & Services and Systems Engineering – Israel	58.9%	58.4%	59.4%	59.2%
IT Solutions and Software Products & Services – International	15.8%	18.3%	15.8%	17.4%
Cloud Solutions, IT Infrastructure & Systems – Israel and International	25.3%	23.3%	24.8%	23.4%
Total revenues (%)	**100%**	**100%**	**100%**	**100%**

	For the three months ended **June 30, 2026**	For the three months ended **June 30, 2025**	For the six months ended **June 30, 2026**	For the six הmonths ended **June 30, 2025**
	%	**%**	**%**	**%**
Contribution to operating income by operating segments				
IT Solutions, Software Products & Services and Systems Engineering – Israel	60%	59%	61%	58%
IT Solutions and Software Products & Services – International	20%	23%	19%	21%
Cloud Solutions, IT Infrastructure & Systems – Israel and International	20%	18%	20%	21%
Total contributions (%)	**100%**	**100%**	**100%**	**100%**

	For the three months ended June 30, 2026	For the three months ended June 30, 2025	Change (%)	For the six months ended June 30, 2026	For the six months ended June 30, 2025	Change (%)
Geographic information						
Revenues from customers in Israel	1,756,214	1,587,593	10.6%	3,514,274	3,285,884	7%
Revenues from customers in the United States	338,816	349,596	(3.1%)	686,852	685,864	0.1%
Revenues from customers in Europe	65,163	66,184	(1.5%)	123,778	122,307	1.2%
Revenues from all other customers	12,245	12,756	(4%)	25,712	29,236	(12.1%)
Inter-segment adjustments	(53,014)	(21,735)		(103,611)	(51,859)	
Total revenues	2,119,424	1,994,394	6.3%	4,247,005	4,071,432	4.3%

	For the three months ended June 30, 2026	For the three months ended June 30, 2025	For the six months ended June 30, 2026	For the six months ended June 30, 2025
Total revenues by geographical region (%)				
Revenues from customers in Israel	80.8%	78.8%	80.8%	79.7%
Revenues from customers in the United States	15.6%	17.3%	15.8%	16.6%
Revenues from customers in Europe	3%	3.3%	2.8%	3%
Revenues from all other customers	0.6%	0.6%	0.6%	0.7%
Total revenues (%)	**100%**	**100%**	**100%**	**100%**

1.2.4 Analysis of operating results by operating segments

Below is an analysis of the operating results of the operating 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 1.1.6 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 (%)	For the six months ended	For the six months ended	Change (%)
	June 30, 2026	**June 30, 2025**		**June 30, 2026**	**June 30, 2025**	
Revenues	1,280,392	1,177,750	8.7%	2,583,915	2,439,189	5.9%
Operating incom	123,940	109,164	13.5%	250,553	214,344	16.9%
Operating income margin	9.7%	9.3%		9.7%	8.8%	

The increase in segment revenues, operating income, and operating margin, in the quarter and the period, compared with the corresponding periods, is mainly due to an increase in the volume of activity, mainly data, AI, defense, and core systems. 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.

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

	For the three months ended	For the three months ended	Change (%)	For the six months ended	For the six months ended	Change (%)
	June 30, 2026	**June 30, 2025**		**June 30, 2026**	**June 30, 2025**	
Revenues	1,300,631	1,177,750	10.4%	2,621,289	2,439,189	7.5%
Operating income	126,760	109,164	16.1%	255,456	214,344	19.2%
Operating income margin	9.7%	9.3%		9.7%	8.8%	

The impact of exchange rate fluctuations in the USD is mainly attributed to the sales and marketing of software products.

IT Solutions and Software Products & Services – International

Reported results (NIS thousands):

	For the three months ended	For the three months ended	Change (%)	For the six months ended	For the six months ended	Change (%)
	June 30, 2026	**June 30, 2025**		**June 30, 2026**	**June 30, 2025**	
Revenues	343,102	368,480	(6.9%)	687,764	718,607	(4.3%)
Operating income	41,807	43,226	(3.3%)	79,619	78,183	1.8%
Operating income margin	12.2%	11.7%		11.6%	10.9%	

As explained above (see also section 1.1.3, Business environment), the reported segment results were adversely affected by the depreciation of the USD (a decrease of 17.6% and 15.6% in the average USD exchange rate compared with the corresponding periods in the quarter and period, respectively).

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

	For the three months ended	For the three months ended	Change (%)	For the six months ended	For the six months ended	Change (%)
	June 30, 2026	**June 30, 2025**		**June 30, 2026**	**June 30, 2025**	
Revenues	416,381	368,480	13%	814,806	718,607	13.4%
Operating income	50,736	43,226	17.4%	94,326	78,183	20.6%
Operating income margin	12.2%	11.7%		11.6%	10.9%	

The increase in revenues and operating income, as well as in operating profitability in the quarter and the period, compared with the corresponding periods, was due to growth in the segment's activity, with emphasis on expert services in the United States, GRC activity for financial institutions internationally, and Data & AI.

The increase in the segment's profit margin is primarily attributed to transactions mix and continued operational efficiency measures in the company after the merger.

Cloud Solutions, IT Infrastructure & Systems – Israel and International

Reported results (NIS thousands):

	For the three months ended	For the three months ended	Change (%)	For the six months ended	For the six months ended	Change (%)
	June 30, 2026	**June 30, 2025**		**June 30, 2026**	**June 30, 2025**	
Revenues	548,944	469,899	16.8%	1,078,937	965,495	11.7%
Operating income	40,094	33,030	21.4%	82,831	79,284	4.5%
Operating income margin	7.3%	7%		7.7%	8.2%	

Cloud Solutions, IT Infrastructure & Systems – Israel and International was characterized in the quarter and in the period by significant growth in both activity volume and operating results. However, as explained above (see also section 1.1.3, Business environment), the reported segment results and growth rates were adversely affected by the depreciation of the USD (a decrease of 17.6% and 15.6% in the average USD rate compared with the corresponding periods), with emphasis on cloud activities and on 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 (%)	For the six months ended	For the six months ended	Change (%)
	June 30, 2026	**June 30, 2025**		**June 30, 2026**	**June 30, 2025**	
Revenues	636,490	469,899	35.5%	1,238,762	965,495	28.3%
Operating income	46,500	33,030	40.8%	93,755	79,284	18.3%
Operating income margin	7.3%	7%		7.7%	8.2%	

The increase in revenues and operating income, compared with the corresponding periods, is mainly due to an increase in cloud activities. The increase was partially offset by a decline in activity volume in marketing, implementation, and support of advanced technological solutions (mainly the subsidiaries RDT and Ortec), which is characterized by higher profit margins.

1.2.5 Agreements and special events

Dividend distribution

Distribution date	Dividend per share (agorot)	Amount of dividend (NIS million)
July 1, 2026	97	89.8
May 5, 2026	79	73.1
Total for H1 2026	**176**	**162.9**

The Company's dividend policy is to distribute dividends of up to 75% of the net annual income attributable to shareholders. The dividend will be distributed on a quarterly basis, subject to the distribution requirements in the applicable law, which are reviewed by the Board of Directors at each relevant date.

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 Bonds (series B) and Convertible Bonds (series 2) to Aa2, both with a stable outlook. In addition, Midroog reaffirmed the commercial securities rating at P-1.il.

1.3 Financial position, liquidity, and financing sources

Analysis of financial position as of June 30, 2026

Balances of liquid assets and financial ratios (NIS thousands)

	June 30, 2026	December 31, 2025	Change
Cash and cash equivalents	753,017	1,207,350	(454,333)
Short term credit	(499,787)	(560,536)	60,749
Long term credit	(491,986)	(420,818)	(71,168)
Net cash (financial net debt)	(238,756)	225,996	(464,752)
Total balance sheet	6,262,533	6,322,165	(59,632)
Net debt-to-balance sheet ratio	3.8%	(3.6%)	
Current ratio	1.2	1.2	
Retained earnings	1,072,882	990,250	82,632
Total equity attributed to the Company's shareholders	1,906,710	1,478,895	427,815
Ratio of shareholder equity to balance sheet	30.4%	23.4%	

Condensed consolidated statements of financial position (NIS thousands)

	June 30, 2026	December 31, 2025	Difference
Assets:			
Cash and cash equivalents	753,017	1,207,350	(454,333)
Trade receivables and unbilled receivables, net	2,669,615	2,324,423	345,192
Inventories	150,291	92,672	57,619
Goodwill	1,494,950	1,518,311	(23,361)
Intangible assets	193,947	216,912	(22,965)
Right-of-use assets	418,125	422,866	(4,741)
All others (including property, plant and equipment, and deferred taxes)	582,588	539,631	42,957
Total assets	**6,262,533**	**6,322,165**	**(59,632)**
Liabilities:			
Credit from banks and other credit providers	991,773	981,354	10,419
Trade payables	1,065,574	1,131,788	(66,214)
Deferred revenues	589,727	511,895	77,832
Lease liabilities	431,587	438,032	(6,445)
Liabilities for options to non-controlling interests and liabilities for business combinations	244,649	246,652	(2,003)
All others	889,105	905,679	(16,574)
Total liabilities	**4,212,415**	**4,215,400**	**(2,985)**

The decrease in asset items is mainly due to a decrease in cash and cash equivalents, which was partially offset by an increase in trade receivables and unbilled receivables, an increase in inventory (mainly hardware and infrastructure inventory not yet delivered), and an increase in other receivables (presented above under the "All others" item).

Total liabilities remained substantially unchanged, reflecting, among other factors, an increase in deferred revenue (primarily customer advances on long-term transactions), which was offset by a decrease in accounts payable.

Condensed statements of cash flows (NIS thousands)

	For the three months ended June 30, 2026	For the three months ended June 30, 2025	For the six months ended June 30, 2026	For the six months ended June 30, 2025
Cash flows used in operating activities				
Net income	135,427	119,380	272,267	244,715
Adjustments to profit or loss items	117,166	126,263	253,658	251,673
Changes in assets and liabilities items	(226,599)	(50,199)	(579,135)	(195,570)
Cash paid and received for interest and taxes, net	(49,125)	(50,222)	(93,055)	(87,099)
Net cash from (used in) operating activities	**(23,131)**	**145,222**	**(146,265)**	**213,719**
Cash flows from investing activities				
Acquisition of property, plant, and equipment	(15,362)	(6,818)	(26,398)	(18,689)
Capitalized software development costs	(1,818)	(1,762)	(3,925)	(3,554)
Proceeds from sale of property, plant, and equipment	783	173	953	1,310
Acquisition of subsidiaries consolidated for the first time	(2,744)	-	(6,241)	(79,330)
Cash payments for deferred payments and contingent liabilities related to business combinations	(8,631)	(8,232)	(20,513)	(9,964)
Proceeds from the sale (purchase) of financial assets, net	9,566	(4,036)	(4,717)	(1,886)
Change in short- and long-term deposits	(124)	2,482	556	137
Cash used in investing activities	**(18,330)**	**(18,193)**	**(60,285)**	**(111,976)**
Cash flows used in financing activities				
Receipt (repayment) of credit, net	15,198	(21,753)	(194,627)	(49,863)
Proceeds for a long-term loan	-	-	-	120,000
Dividend distribution	(73,103)	(79,014)	(73,682)	(146,844)
Acquisition of non-controlling interests	(9,660)	-	(31,400)	-
Repayment of lease liabilities	(38,947)	(36,816)	(78,863)	(69,766)
Dividend distribution to non-controlling interests	(27,662)	(43,968)	(34,480)	(79,629)
Repayment of a liability for put options to non-controlling interests	(54,675)	(49,495)	(63,371)	(49,495)
Proceeds from the issuance of convertible bonds	-	-	297,272	-
Repayment of bonds	-	-	(33,959)	(33,959)
Net cash used in financing activities	**(188,849)**	**(231,046)**	**(213,110)**	**(309,556)**

Cash flows from operating activities

In the second quarter of 2026, the Company recorded a negative cash flow from operating activities amounting to NIS 23.1 million, compared with a positive cash flow amounting to NIS 145.2 million in the corresponding quarter.

In the period, the Company recorded a negative cash flow from operating activities amounting to NIS 146.2 million, compared with a positive cash flow from operating activities amounting to NIS 213.7 million in the corresponding period.

The decrease in the quarter and the period is due to changes in working capital, mainly due to a trade receivables factoring transaction in the fourth quarter of 2025 amounting to NIS 260 million and an increase in current (non-overdue) trade receivables in cloud and defense activity.

The Company’s cash flows from operating activities for the last 12 months (LTM) decreased compared with the corresponding period and amounted to NIS 688.1 million, compared with LTM cash flows from operating activities amounting to NIS 863.1 million in the corresponding period.

Cash flows from investing activities

Cash flows used in investing activities amounted to NIS 18.3 million and NIS 60.3 million in the second quarter and the period, respectively, compared with NIS 18.1 million and NIS 111.9 million in the corresponding periods. The main difference in the period is attributable to NIS 65.4 million paid for the acquisition of Gav in the corresponding period.

Cash flows from financing activities

Cash flows used in financing activities amounted to NIS 188.8 million and NIS 213.1 million in the second quarter and the period, respectively, compared with NIS 231 million and NIS 309.6 million in the corresponding periods.
The main difference in the quarter is due to a decrease in the volume of loan repayments to banks by Group companies compared with the corresponding quarter.
The main difference in the period is due to dividend payment in the corresponding period and proceeds of NIS 297.3 million from the issuance of convertible bonds in the current period, partially offset by loan repayments to banks by Group companies.

Average short-term credit (NIS thousands)*

	June 30, 2026	June 30, 2025
Trade receivables	2,497,951	2,414,418
Trade payables	1,063,407	936,033

* 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 Pursuant to Regulation 10(B)(1)(d) of the Israel Securities Regulations (Periodic and Immediate Reports):

As of June 30, 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. The 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 thousands)

	For the six months ended June 30, 2026	For the six months ended June 30, 2025
Opening balance	2,106,765	2,197,865
Net income	272,267	244,715
Dividend distribution	(162,867)	(136,131)
Non-controlling interests arising from companies consolidated for the first time	1,097	-
Conversion option for convertible bonds	37,838	-
Dividend to non-controlling interests	(35,603)	(45,514)
Translation differences	(68,190)	(67,955)
Share-based payments	2,442	4,539
Transactions with non-controlling interests	(53,717)	(63,599)
Derecognition of put options for non-controlling interests	(52,080)	(32,136)
Excess tax benefit from share-based payment recognized in equity	-	3,336
Actuarial gain from remeasurement of defined benefit plans	2,166	1,790
Closing balance	**2,050,118**	**2,106,910**

2. Disclosure provisions for the corporation’s financial reporting

Goodwill

The balance of goodwill, as presented in the Company's financial statements, is material relative to the Company's total assets. Goodwill represents the excess of the cost of investment over the carrying amount of subsidiaries acquired by the Group.

In accordance with generally accepted accounting principles, the Company performs an annual assessment to determine whether an impairment is required. In addition to the annual impairment test, the Company also evaluates throughout the year whether indicators of impairment exist.

August 17, 2026

Guy Bernstein Chair of the Board of Directors	Moti Gutman CEO

Appendix A – Information about bonds issued by the Company and held by the public as of the reporting date

1) Details about Bonds (Series B) and Convertible Bonds (Series 2) (NIS thousands)

Disclosure item	Details about Bonds (Series B)	Details about Convertible Bonds (Series 2)
Issuance date	Initial issue on September 18, 2022; series expansion on December 4	February 4, 2026
Total par value as of Issuance date [(1)]	295,249 in the initial issue and 180,366 in the series expansion	297,028
Par value as of June 30, 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 June 30, 2026 (amortized cost according to the effective interest method)	274,637	251,991
Interest accrued as of June 30, 2026	4,881	4,138
Market capitalization as of June 30, 2026	277,951	263,167
Type of interest	Fixed annual interest at a rate of 4.1%. It should be noted that the deed of trust for the Bonds (series B) attached to the offering report (the "Deed of Trust") includes mechanisms for adjustments to the annual interest rate of the Bonds (series B), in the event of non-compliance with financial covenants or a downgrade in the credit rating of the Bonds (series B). 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 convertible bonds (series 2) attached to the offering report (the "Deed of Trust") includes mechanisms for adjustments to the annual interest rate of the convertible bonds (series 2), in the event of non-compliance with financial covenants or a downgrade in the credit rating of the convertible bonds (series 2). 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 about Bonds (Series B)	Details about Convertible Bonds (Series 2)
Principal payment dates	The principal of the Bonds (series B) 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 convertible bonds (series 2) is repayable in a single payment, which will be made on February 1, 2031.
Interest payment dates	The interest on the Bonds (series B) 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 Bonds (series 2) 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 Bonds (series B) are not linked (principal and interest) to any linkage basis.	The convertible bonds (series 2) are not linked (principal and interest) to any linkage basis.
Is there a right of conversion?	No	Yes
Conversion right	-	The convertible bonds (series 2) are convertible into 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 176.2 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 Bonds (series B), 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 of the terms and obligations under the Deed of Trust?	Yes	Yes
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 "Shelf Offering Report"), under which the Company issued, in an initial public offering, Bonds (Series B) in a total par value of NIS 295,249 thousands. In addition, on December 4, 2022, the Company issued Bonds (Series B) by way of an expansion of the series, for a net amount of NIS 178,000 thousands.

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 June 30, 2026:

Financial covenant under the bonds (Series B)(*)	Financial covenant under the convertible bonds (Series 2)(**)	Actual covenant as of June 30, 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%	3.7%
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	0.22
Minimum equity (as defined in the trust deed) shall not be less than NIS 275,000 thousands	Minimum equity (as defined in the trust deed) shall not be less than NIS 400,000 thousands	2,050,118

(*) Bonds (Series B) – the outstanding par value of the security in circulation as of June 30, 2026 – NIS 271,861,534; the outstanding par value of the security in circulation shortly before the reporting date – NIS 237,902,623

(**) Convertible bonds (Series 2) – the outstanding par value of the security in circulation as of June 30, 2026 – NIS 297,028,000; the outstanding par value of the security in circulation shortly before the reporting date is the same.

Chapter B

Consolidated Interim Financial Statements

June 30, 2026

Unaudited

Table of contents

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 June 30, 2026, and the condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the six- and three-month period then ended. The Board of 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
August 17, 2026

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

Consolidated Interim Statements of Financial Position
(NIS thousands)

	June 30 2026	June 30 2025[1]	December 31 2025[1]
	Unaudited	Unaudited	
Current assets			
Cash and cash equivalents	753,017	851,088	1,207,350
Short-term bank deposits	-	-	641
Trade receivables and unbilled receivables, net	2,669,615	2,390,468	2,324,423
Income tax receivable	56,433	49,627	72,894
Other accounts receivable	228,542	208,215	176,373
Inventories	150,291	158,313	92,672
	3,857,898	3,657,711	3,874,353
Non-current assets			
Other investments and loans	11,871	14,512	14,512
Prepaid expenses	90,484	88,638	83,054
Right-of-use assets	418,125	464,567	422,866
Property, plant, and equipment, net	133,674	129,020	129,429
Goodwill	1,494,950	1,542,746	1,518,311
Intangible assets	193,947	245,443	216,912
Deferred taxes	61,584	71,357	62,728
	2,404,635	2,556,283	2,447,812
	6,262,533	6,213,994	6,322,165

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)

	June 30 2026	June 30 2025[2]	December 31 2025[2]
	Unaudited	Unaudited	
Current liabilities			
Credit from banks and other credit providers	421,118	485,650	481,939
Current maturities of bonds	78,669	79,955	78,597
Current maturities of lease liabilities	125,086	132,947	125,593
Trade payables	1,065,574	915,447	1,131,788
Income tax payable	25,540	11,334	28,922
Other accounts payable	221,156	166,858	176,746
Employees and payroll accruals	569,869	602,276	633,338
Liabilities in respect of a business combination	14,697	21,711	17,658
Put options for non-controlling interests	200,874	165,063	156,951
Deferred revenues	544,095	504,318	459,396
	3,266,678	3,085,559	3,290,928
Non-current liabilities			
Loans from banks and other credit providers	44,027	206,935	190,631
Liability for bonds	197,425	262,705	230,187
Liability for convertible bonds	250,534	-	-
Deferred revenues	45,632	56,218	52,499
Put options for non-controlling interests	21,984	62,984	55,635
Lease liabilities	306,501	350,947	312,439
Deferred taxes	55,850	55,913	50,421
Liabilities in respect of a business combination	7,094	9,448	16,408
Employee benefit liabilities	16,690	16,375	16,252
	945,737	1,021,525	924,472
Equity attributable to Company shareholders			
Share capital and capital reserves	833,828	518,203	488,645
Retained earnings	1,072,882	950,681	990,250
	1,906,710	1,468,884	1,478,895
Non-controlling interests	143,408	638,026	627,870
Total equity	2,050,118	2,106,910	2,106,765
	6,262,533	6,213,994	6,322,165

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

August 17, 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 six months ended June 30 2026 Unaudited	For the six months ended June 30 2025 Unaudited	For the three months ended June 30 2026 Unaudited	For the three months ended June 30 2025 Unaudited	For the year ended December 31[3] 2025
Revenues	4,247,005	4,071,432	2,119,424	1,994,394	8,386,982
Cost of revenues and services	3,477,321	3,323,150	1,732,458	1,619,960	6,860,078
Gross profit	769,684	748,282	386,966	374,434	1,526,904
Research and development expenses	18,525	23,995	9,345	12,265	44,669
Selling and marketing expenses	180,493	188,198	92,949	94,369	384,775
General and administrative expenses	165,400	170,484	82,476	85,061	367,506
Operating income	405,266	365,605	202,196	182,739	729,954
Finance expenses	63,065	61,055	31,294	32,860	122,258
Finance income	12,761	14,722	4,769	7,053	28,075
Income before taxes on income	354,962	319,272	175,671	156,932	635,771
Taxes on income	82,695	73,507	40,244	36,957	149,582
Company's share in losses of associates	-	1,050	-	595	1,050
Net income	272,267	244,715	135,427	119,380	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	2,166	1,790	241	455	5,596
Amounts that will be, or that have been, classified or reclassified to profit or loss if specific conditions are met					
Adjustments for translation of financial statements of foreign operations	(71,553)	(66,226)	(63,178)	(88,235)	(127,337)
Change in fair value of instruments used in cash flow hedging	3,363	(1,729)	3,956	(1,450)	2,010
Total comprehensive income	206,243	178,550	76,446	30,150	365,408
Net income attributable to:					
Equity holders of the Company	243,333	182,622	122,597	90,136	364,724
Non-controlling interests	28,934	62,093	12,830	29,244	120,415
	272,267	244,715	135,427	119,380	485,139
Total comprehensive income attributable to:					
Equity holders of the Company	177,618	138,605	63,920	30,921	284,645
Non-controlling interests	28,625	39,945	12,526	(771)	80,763
	206,243	178,550	76,446	30,150	365,408
Net earnings per share attributable to equity holders of the Company (NIS)					
Basic net earnings per share	2.63	2.37	1.32	1.17	4.73
Diluted net earnings per share	2.62	2.36	1.32	1.17	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 equity	Share premium	Reserve for convertible bonds	Treasury shares	Reserve for adjustment 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 equity
Balance as of January 1, 2026[4]	82,001	328,214	-	(7,982)	(104,355)	10,186	180,581	990,250	1,478,895	627,870	2,106,765
Net income	-	-	-	-	-	-	-	243,333	243,333	28,934	272,267
Adjustments for translation of financial statements of foreign operations and cash flow hedge	-	-	-	-	(67,881)	-	-	-	(67,881)	(309)	(68,190)
Actuarial gain from remeasurement of defined benefit plans	-	-	-	-	-	-	-	2,166	2,166	-	2,166
Total other comprehensive income	-	-	-		(67,881)	-	-	2,166	(65,715)	(309)	(66,024)
Total comprehensive income	-	-	-	-	(67,881)	-	-	245,499	177,618	28,625	206,243
Exercise of options	40	1,888	-	-	-	-	(1,928)	-	-	-	-
Magic transaction share issuance	15,381	-	-	-	(52,611)	-	502,597	-	465,367	(465,367)	-
Dividend declared	-	-	-	-	-	-	-	(162,867)	(162,867)	-	(162,867)
Non-controlling interests arising from companies consolidated for the first time	-	-	-	-	-	-	-	-	-	1,097	1,097
Conversion option for convertible bonds	-	-	37,838	-	-	-	-	-	37,838	-	37,838
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(35,603)	(35,603)
Transactions with non-controlling interests	-	-	-	-	-	-	(49,862)	-	(49,862)	(3,855)	(53,717)
Share-based payments	-	-	-	-	-	-	2,307	-	2,307	135	2,442
Derecognition (creation) of put options for non-controlling interests	-	-	-	-	-	-	(42,586)	-	(42,586)	(9,494)	(52,080)
Balance as of June 30, 2026	97,422	330,102	37,838	(7,982)	(224,847)	10,186	591,109	1,072,882	1,906,710	143,408	2,050,118

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 adjustment 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 equity
Balance as of January 1, 2025[5]	81,736	309,448	(7,982)	(18,680)	10,186	239,352	902,400	1,516,460	681,405	2,197,865
Net income	-	-	-	-	-	-	182,622	182,622	62,093	244,715
Adjustments for translation of financial statements of foreign operations and cash flow hedge	-	-	-	(45,807)	-	-	-	(45,807)	(22,148)	(67,955)
Actuarial gain from remeasurement of defined benefit plans	-	-	-	-	-	-	1790	1,790	-	1,790
Total other comprehensive income		-	-	(45,807)	-	-	1,790	(44,017)	(22,148)	(66,165)
Total comprehensive income	-	-	-	(45,807)	-	-	184,412	138,605	39,945	178,550
Exercise of options	254	18,188	-	-	-	(18,442)	-	-	-	-
Dividend declared	-	-	-	-	-	-	(136,131)	(136,131)	-	(136,131)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	(45,514)	(45,514)
Transactions with non-controlling interests	-	-	-	-	-	(31,879)	-	(31,879)	(31,720)	(63,599)
Derecognition (creation) of put options for non-controlling interests	-	-	-	-	-	(23,847)	-	(23,847)	(8,289)	(32,136)
Share-based payments	-	-	-	-	-	4,406	-	4,406	133	4,539
Excess tax benefit from share-based payment recognized in equity	-	-	-	-	-	1,270	-	1,270	2,066	3,336
Balance as of June 30, 2025	81,990	327,636	(7,982)	(64,487)	10,186	170,860	950,681	1,468,884	638,026	2,106,910

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

Unaudited (NIS thousands)

	Share capital	Share premium	Reserve for convertible bonds	Treasury shares	Reserve for adjustment 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 equity
Balance as of April 1, 2026[6]	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
Net income	-	-	-	-	-	-	-	122,597	122,597	12,830	135,427
Adjustments for translation of financial statements of foreign operations and cash flow hedge	-	-	-	-	(58,918)	-	-	-	(58,918)	(304)	(59,222)
Actuarial gain from remeasurement of defined benefit plans	-	-	-	-	-	-	-	241	241	-	241
Total other comprehensive income	-	-	-		(58,918)	-	-	241	(58,677)	(304)	(58,981)
Total comprehensive income	-	-	-	-	(58,918)	-	-	122,838	63,920	12,526	76,446
Exercise of options	4	334	-	-	-	-	(338)	-	-	-	-
Dividend declared	-	-	-	-	-	-	-	(89,767)	(89,767)	-	(89,767)
Non-controlling interests arising from companies consolidated for the first time	-	-	-	-	-	-	-	-	-	1,097	1,097
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(29,680)	(29,680)
Transactions with non-controlling interests	-	-	-	-	-	-	(31,213)	-	(31,213)	(809)	(32,022)
Share-based payments	-	-	-	-	-	-	930	-	930	67	997
Derecognition (creation) of put options for non-controlling interests	-	-	-	-	-	-	(6,241)	-	(6,241)	2,721	(3,520)
Balance as of June 30, 2026	97,422	330,102	37,838	(7,982)	(224,847)	10,186	591,109	1,072,882	1,906,710	143,408	2,050,118

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 Changes in Equity

Unaudited (NIS thousands)

	Share capital	Share premium	Treasury shares	Reserve for adjustment 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 equity
Balance as of April 1, 2025[7]	81,975	326,639	(7,982)	(4,817)	10,186	188,328	916,717	1,511,046	682,281	2,193,327
Net income	-	-	-	-	-	-	90,136	90,136	29,244	119,380
Adjustments for translation of financial statements of foreign operations and cash flow hedge	-	-	-	(59,670)	-	-	-	(59,670)	(30,015)	(89,685)
Actuarial gain from remeasurement of defined benefit plans	-	-	-	-	-	-	455	455	-	455
Total other comprehensive income	-	-	-	(59,670)	-	-	455	(59,215)	(30,015)	(89,230)
Total comprehensive income	-	-	-	(59,670)	-	-	90,591	30,921	(771)	30,150
Exercise of options	15	997	-	-	-	(1,012)	-	-	-	-
Dividend declared	-	-	-	-	-	-	(56,627)	(56,627)	-	(56,627)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	(10,247)	(10,247)
Transactions with non-controlling interests	-	-	-	-	-	(17,776)	-	(17,776)	(31,720)	(49,496)
Derecognition (creation) of put options for non-controlling interests	-	-	-	-	-	(1,335)	-	(1,335)	(3,952)	(5,287)
Share-based payments	-	-	-	-	-	1,385	-	1,385	369	1,754
Excess tax benefit from share-based payment recognized in equity	-	-	-	-	-	1,270	-	1,270	2,066	3,336
Balance as of June 30, 2025	81,990	327,636	(7,982)	(64,487)	10,186	170,860	950,681	1,468,884	638,026	2,106,910

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 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 equity
Balance as of January 1, 2025 [8]	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, 2025 [8]	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.

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

Consolidated Interim Statements of Cash Flows
(NIS thousands)

	For the six months ended June 30 2026	For the six months ended June 30 2025[9]	For the three months ended June 30 2026	For the three months ended June 30 2025[9]	For the year ended December 31 2025[9]
	Unaudited	Unaudited	Unaudited	Unaudited	
Cash flows from operating activities					
Net income	**272,267**	**244,715**	**135,427**	**119,380**	**485,139**
Adjustments required to present cash flows from operating activities					
Adjustments to profit or loss items					
Depreciation and amortization	126,660	138,489	64,069	69,827	272,604
Taxes on income	82,695	73,507	40,244	36,957	149,512
Change in liabilities for employee benefits	3,245	4,224	(22)	1,088	8,944
Other finance expenses, net	36,723	27,010	11,549	14,333	53,938
Revaluation of liability in respect of a business combination	934	1,634	372	785	3,481
Capital loss (gain) from disposal of property, plant, and equipment	(96)	(528)	(155)	(21)	(296)
Change in fair value of financial assets measured at fair value through profit or loss	-	239	-	239	-
Share-based payments	2,442	4,539	997	1,754	8,714
Appreciation of the liability for an option for non-controlling interests	1,055	2,559	112	1,301	4,540
	253,658	**251,673**	**117,166**	126,263	**501,437**
Changes in assets and liabilities items					
Decrease (increase) in trade receivables	(358,314)	108,185	(126,174)	130,078	162,036
Decrease (increase) in other receivables and prepaid expenses	(61,642)	(57,632)	24,330	26,964	(29,408)
Decrease (increase) in inventories	(57,629)	(49,602)	(39,370)	(59,027)	15,992
Increase (decrease) in trade payables	(62,263)	(143,668)	(48,087)	(72,951)	75,894
Increase (decrease) in employees and institutions, deferred revenues, and other payables	(39,287)	(52,853)	(37,298)	(75,263)	9,357
	(579,135)	**(195,570)**	**(226,599)**	**(50,199)**	**233,871**
Cash paid and received in the period for					
Interest paid	(39,011)	(35,012)	(7,328)	(10,312)	(59,535)
Interest received	12,761	14,722	4,769	7,053	28,075
Taxes paid	(85,764)	(93,203)	(48,794)	(51,675)	(172,889)
Taxes received	18,959	26,394	2,228	4,712	32,069
	(93,055)	(87,099)	(49,125)	(50,222)	(172,280)
Net cash from operating activities	**(146,265)**	**213,719**	**(23,131)**	**145,222**	**1,048,167**

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

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

Consolidated Interim Statements of Cash Flows

(NIS thousands)

	For the six months ended June 30 2026	For the six months ended June 30 2025[10]	For the three months ended June 30 2026	For the three months ended June 30 2025[10]	For the year ended December 31 2025[10]
	Unaudited	Unaudited	Unaudited	Unaudited	
Cash flows from investing activities					
Proceeds from sale of property, plant, and equipment	953	1,310	783	173	1,513
Acquisition of property, plant, and equipment	(26,398)	(18,689)	(15,362)	(6,818)	(41,006)
Acquisition of subsidiaries consolidated for the first time (A)	(6,241)	(79,330)	(2,744)	-	(79,330)
Capitalized software development costs	(3,925)	(3,554)	(1,818)	(1,762)	(7,819)
Cash payments for deferred payments and contingent liabilities related to business combinations	(20,513)	(9,964)	(8,631)	(8,232)	(12,145)
Proceeds from the sale (purchase) of financial assets, net	(4,717)	(1,886)	9,566	(4,036)	(1,312)
Change in short-term and long-term deposits	556	137	(124)	2,482	(1,326)
Net cash from (used in) investing activities	**(60,285)**	**(111,976)**	**(18,330)**	**(18,193)**	**(141,425)**
Cash flows from financing activities					
Short-term credit from banks and other credit providers, net	58,294	94,751	58,294	49,579	110,423
Receipt of long-term loans	-	120,000	-	-	148,500
Repayment of long-term loans from banks and other credit providers	(252,921)	(144,614)	(43,096)	(71,332)	(213,935)
Proceeds from the issuance of convertible bonds	297,272	-	-	-	-
Dividend distribution	(73,682)	(146,844)	(73,103)	(79,014)	(348,745)
Repayment of lease liabilities	(78,863)	(69,766)	(38,947)	(36,816)	(150,869)
Dividend distribution to non-controlling interests	(34,480)	(79,629)	(27,662)	(43,968)	(146,284)
Repayment of a liability from put options on non-controlling interests	(63,371)	(49,495)	(54,675)	(49,495)	(49,540)
Acquisition of non-controlling interests	(31,400)	-	(9,660)	-	-
Repayment of bonds	(33,959)	(33,959)	-	-	(67,918)
Net cash used in financing activities	**(213,110)**	**(309,556)**	**(188,849)**	**(231,046)**	**(718,368)**
Exchange rate differences for cash and cash equivalents	(34,673)	(20,899)	(28,124)	(33,711)	(60,824)
Increase (decrease) in cash and cash equivalents	(454,333)	(228,712)	(258,434)	(137,728)	127,550
Cash and cash equivalents at the beginning of the period	1,207,350	1,079,800	1,011,451	988,816	1,079,800
Cash and cash equivalents at the end of the period	753,017	851,088	753,017	851,088	1,207,350

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

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

Consolidated Interim Statements of Cash Flows
(NIS thousands)

	For the six months ended June 30	For the six months ended June 30	For the three months ended June 30	For the three months ended June 30	For the year ended December 31
	2026	2025[11]	2026	2025[11]	2025[11]
	Unaudited	Unaudited	Unaudited	Unaudited	
(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)	1,218	(12,558)	(560)	-	(12,558)
Property, plant, and equipment	(539)	(4,394)	(63)	-	(4,394)
Income tax receivable	9	(2,765)	9	-	(2,765)
Deferred tax	-	(3,395)	-	-	(3,395)
Inventories	-	(1,401)	-	-	(1,401)
Goodwill	(10,365)	(72,270)	(3,956)	-	(72,270)
Intangible assets	(5,137)	(30,779)	(1,475)	-	(30,779)
Employee benefit liabilities	-	2,414	-	-	2,414
Tax reserve	1,255	7,079	339	-	7,079
Liability for put options to non-controlling interests	-	26,215	-	-	26,215
Non-controlling interests (*)	1,098	-	1,098	-	-
Liabilities in respect of a business combination	6,220	12,524	1,864	-	12,524
	(6,241)	(79,330)	(2,744)	-	(79,330)
(B) Significant non-cash transactions					
Distribution of dividend declared and not yet paid	89,767	56,628	89,818	56,628	628
Recognition of a right-of-use asset against a lease liability	66,749	82,625	38,424	58,916	137,337

(*) As part of the acquisition of subsidiaries (see Note 4C), the Company entered, among other things, into put options to purchase the remaining non-controlling interests.

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

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

Notes to the Consolidated Interim Financial Statements

Note 1 General

A. Matrix IT 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 June 30, 2026 and for the six and three-month period then ended (the “Condensed Consolidated Interim Financial Statements”). The Condensed Consolidated Interim Financial Statements of the Group as of June 30, 2026 include those of the Company and its subsidiaries (the “Group”) and the Group’s interests in associates and joint arrangements. The financial statements should be read in the context of the Company’s annual financial statements as of December 31, 2025 and for the year then ended, and their accompanying notes (the “Consolidated Annual Financial Statements”). 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

	June 30, 2026	June 30, 2025	December 31, 2025
CPI (2020 basis)			
Israel (actual CPI)	119.2	117.3	117.8
Israel (known CPI)	119.2	116.9	117.8
NIS exchange rate			
USD	2.98	3.37	3.19
EUR	3.39	3.96	3.75

	For the six months ended June 30, 2026	For the six months ended June 30, 2025	For the three months ended June 30, 2026	For the three months ended June 30, 2025	For the year ended December 31, 2025
CPI (2020 basis)					
Israel (actual CPI)	1.16%	2.14%	0.87%	1.08%	2.6%
Israel (known CPI)	1.16%	1.57%	1.26%	1.28%	2.36%
NIS exchange rate					
USD	(6.65%)	(7.54%)	(5.91%)	(9.31%)	(12.53%)
EUR	(9.37%)	4.18%	(6.64%)	(1.66%)	(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.

Notes to the Consolidated Interim Financial Statements

Note 2 Significant Accounting Policies (cont.)

C. Business combination 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).

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.

Notes to the Consolidated Interim Financial Statements

Note 2 Significant Accounting Policies (cont.)

D. Research and development expenses (cont.)

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). For further information, see Note 2H6 to Chapter B, Consolidated 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) reportable 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) internationally.

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 six months ended June 30, 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	2,518,674	1,049,148	679,183	-	4,247,005
Inter-segment revenues	65,241	29,789	8,581	(103,611)	-
Total revenues	2,583,915	1,078,937	687,764	(103,611)	4,247,005
Segment results	250,553	82,831	79,619	(7,737)	405,266
Finance expenses					(63,065)
Finance income					12,761
Taxes on income					(82,695)
Company's share in losses of associates					-
Net income					272,267

Notes to the Consolidated Interim Financial Statements

Note 3 Segments (cont.)

B. Composition (cont.)

For the six months ended June 30, 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	2,403,713	949,534	718,185	-	4,071,432
Inter-segment revenues	35,476	15,961	422	(51,859)	-
Total revenues	2,439,189	965,495	718,607	(51,859)	4,071,432
Segment results	214,344	79,284	78,183	(6,206)	365,605
Finance expenses					(61,055)
Finance income					14,722
Taxes on income					(73,507)
Company's share in losses of associates					(1,050)
Net income					244,715

Notes to the Consolidated Interim Financial Statements

Note 3 Segments (cont.)

B. Composition (cont.)

For the three months ended June 30, 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	1,245,581	536,803	337,040	-	2,119,424
Inter-segment revenues	34,811	12,141	6,062	(53,014)	-
Total revenues	1,280,392	548,944	343,102	(53,014)	2,119,424
Segment results	123,940	40,094	41,807	(3,645)	202,196
Finance expenses					(31,294)
Finance income					4,769
Taxes on income					(40,244)
Company's share in losses of associates					-
Net income					135,427

Notes to the Consolidated Interim Financial Statements

Note 3 Segments (cont.)

B. Composition (cont.)

For the three months ended June 30, 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	1,164,688	461,489	368,217	-	1,994,394
Inter-segment revenues	13,062	8,410	263	(21,735)	-
Total revenues	1,177,750	469,899	368,480	(21,735)	1,994,394
Segment results	109,164	33,030	43,226	(2,681)	182,739
Finance expenses					(32,860)
Finance income					7,053
Taxes on income					(36,957)
Company's share in losses of associates					(595)
Net income					119,380

Notes to the Consolidated Interim Financial Statements

Note 3 Segments (cont.)

B. Composition (cont.)

For the year ended December 31, 2025 (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 in the Reporting Period

A. Completion of the merger transaction with Magic

On February 24, 2026, the merger between the Company and Magic Software Enterprises Ltd. (“Magic”) 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 NASDAQ and the Tel Aviv Stock Exchange, and Magic ceased to be a public company.

B. 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 176.2 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 Consolidated 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 Reporting Period (cont.)

C. Acquisition of subsidiaries

(1) On December 1, 2025, the Company, through its subsidiary CommIT, 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 outsourcing basis. The basic purchase consideration amounted to NIS 3.75 million, plus additional contingent consideration based on the Company's future financial results. Under the terms of the agreement, the Company and the seller hold reciprocal put and call options for the sale and purchase of the seller's remaining shares to the Company.

(2) 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 a consideration of 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.

(3) On April 13, 2026, the Company, through its subsidiary Comblack, completed the acquisition of 60% of the share capital of Productive Software Development Ltd., a provider of information-system implementation and software services, including website and application development, CRM and Work OS implementation and integration, and offshore services. The purchase price amounted to NIS 6.2 million. Under the terms of the agreement, the Company and the seller hold reciprocal put and call options for the sale and purchase of the seller's remaining shares to the Company.

For the acquisitions described above, the Company recognized the fair value of the assets and liabilities acquired in the business combination based on 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.

D. Acquisition of non-controlling interests in subsidiaries

In the second half of 2026 and subsequent to the date of the financial statements, the Company acquired additional non-controlling interests in several of its subsidiaries, thereby increasing its holdings in these companies, for a total consideration of NIS 142 million.

E. Dividend distribution

Following the declaration of the dividend on March 12, 2026, the Company distributed a dividend in the amount of NIS 73.1 million to its shareholders on May 5, 2026 (reflecting NIS 0.79 for each NIS 1 par value of ordinary shares).

Following the declaration of the dividend on May 19, 2026, the Company distributed a dividend in the amount of NIS 89.8 million to its shareholders on July 1, 2026 (reflecting NIS 0.97 for each NIS 1 par value of ordinary shares).

Notes to the Consolidated Interim Financial Statements

Note 5 – Material Events Subsequent to the Reporting Period

Signing an agreement for the acquisition of Laor Energy Ltd.

On July 9, 2026, the Company, through a wholly owned subsidiary, entered into an agreement to acquire 80% of the share capital of Laor Energy (1993) Ltd. ("Laor") for a consideration of NIS 73 million. Under the agreement, the Company and the seller hold reciprocal put and call options for the sale and purchase, respectively, of the seller's remaining shares in Laor.

Laor specializes in the integration of electrical systems and electromechanical components, including the provision of end-to-end (E2E) solutions – primarily control and command units, power platforms, electrical systems, and complementary products, mainly for the defense sector. Completion of the transaction is subject to the fulfillment of standard preconditions for transactions of this type, the principal one being the approval of the Competition Authority. For further information, see the Company’s immediate report dated July 9, 2026 (Ref. No. 2026-01-065401).