
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of **November 2025**

Commission File Number **000-19415**

MAGIC SOFTWARE ENTERPRISES LTD.
(Translation of registrant's name into English)

Terminal Center, 1 Yahadut Canada Street, Or-Yehuda, Israel 6037501
(Address of principal executive office)

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

Form 20-F ☒ Form 40-F ☐

EXPLANATORY NOTE

On November 3, 2025, Magic Software Enterprises Ltd. (the “**Company**”) entered into a definitive Agreement and Plan of Merger (the “**Merger Agreement**”) with Matrix IT Ltd., an Israeli public information technology company and a subsidiary of Formula Systems (“**Matrix**”), and with Magitrix Ltd, a new wholly-owned subsidiary of Matrix (“**Merger Sub**”).

Merger Agreement

Upon the terms and subject to the satisfaction of the conditions described in the Merger Agreement, including approval of the transaction by the Company’s shareholders, Merger Sub will be dissolved (the “**Merger**”), with the Company surviving the Merger as a wholly-owned subsidiary of Matrix.

The full consideration to the Company’s shareholders in the transaction will be in ordinary shares of Matrix, so that at the Merger’s closing date (the “**Closing**”), all existing shares held by eligible shareholders of the Company will be canceled and converted into the right to receive ordinary shares of Matrix. For each one share of the Company acquired by Matrix in the merger, Matrix will issue its ordinary shares (the “**Merger Consideration**”) such that immediately following the Closing, it is estimated that the eligible shareholders of Magic will hold 31.125% of Matrix’s outstanding shares on a fully diluted basis, and the shareholders who held Matrix shares immediately prior to the Closing, will hold 68.875% of Matrix’s outstanding shares on a fully diluted basis (the “**Exchange Ratio**”).

Matrix trades only on the Tel Aviv Stock Exchange (the “**TASE**”), and therefore eligible shareholders of the Company will be entitled to receive shares on the TASE, and their existing shares of MGIC on Nasdaq will be cancelled.

The terms of the Merger Agreement were drafted by a special and independent committee, which was authorized by the Company’s Board of Directors to examine the Merger and to negotiate its terms (including to resolve not to enter into the transaction as a possible alternative) (the “**Special Committee**”). The Special Committee conducted an in-depth work process that included dozens of meetings over more than 12 months, during which it selected independent professional advisors, formulated independent work procedures, examined possible alternatives to the Merger in light of the Company’s needs, challenges, and objectives, and found that executing the Merger Agreement with Matrix is the best alternative among all the alternatives available to the Company, best fulfills the Company’s interests, and has the greatest potential to maximize economic value for all of the Company’s shareholders, and specifically retail, publicly traded and non-affiliated shareholders. The Exchange Ratio was determined in negotiations conducted by representatives of the Company’s independent committee with Matrix, with the assistance of independent external financial advisors, namely Value Base Mergers and Acquisitions Ltd. The entry into the Merger Agreement based on the Exchange Ratio is also based on a fairness opinion that the Special Committee commissioned from an external and independent valuator (the “**Fairness Opinion**”). According to the Fairness Opinion, the Merger Consideration reflects appropriate, reasonable, and fair consideration that maximizes the consideration for all of the Company’s shareholders, including its retail shareholders.

The Merger Agreement contains customary representations, warranties and covenants made by the Company and Matrix, including covenants relating to obtaining the requisite approvals of the shareholders of the Company, indemnification of directors and officers, and the Company’s and Matrix’s conduct of their and their subsidiaries’ respective businesses between the date of signing of the Merger Agreement and the Closing.

In connection with the Merger, the Company will prepare and file a proxy statement and seek the approval of the Company's shareholders with respect to certain actions, which approval is a condition to the Closing of the Merger. The Closing is subject to satisfaction or waiver of certain additional conditions including, among other things, (i) the accuracy of the representations and warranties, subject to certain materiality and other qualifications, (ii) compliance by the parties with their respective covenants, (iii) no law or order preventing the Merger and related transactions, including antitrust approvals, (iv) the approval of the Tel Aviv Stock Exchange for the listing of the shares of the Merger Consideration on the Tel Aviv Stock Exchange, (v) no Material Adverse Effect has occurred with respect to either the Company or Matrix between the date of signing of the Merger Agreement and the Closing, (vi) the effectiveness of a shelf registration statement approved by the Israel Securities Authority, if applicable, and publication of a shelf offering supplement for the issuance of the Merger Consideration shares, (vii) receipt of a tax ruling from the Israel Tax Authority classifying the transaction for Israeli shareholders as a "merger by way of share exchange" pursuant to Section 103K of the Israeli Income Tax Ordinance; (viii) entry into a trust agreement with a trustee for the benefit of Company shareholders, if applicable; (ix) receipt of approvals from other third parties, including relevant financing institutions; and (ix) conducting of required filings and procedures to the U.S. antitrust authorities

In addition to the approval of the Merger Agreement, the Company's Compensation Committee and the Board of Directors also approved the purchase of a Run-Off insurance policy for the Company's officers.

The Merger Agreement also includes transaction termination provisions for both the Company and Matrix, including termination provisions in connection with a "Superior Offer" and a related "Termination Fee" (in the amount of NIS 35,000,000).

The foregoing description of the Merger Agreement and related transactions and documents is qualified in its entirety by reference to the full translation text of the Merger Agreement and its exhibits included as Exhibit 99.1 hereto and incorporated by reference herein.

This report shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

The Merger Agreement is attached hereto as Exhibit 99.1.

In connection with the proposed transactions between the Company and Matrix, the Company will file a proxy statement with the SEC. Before making any voting decision, shareholders are urged to read, in their entirety, the proxy statement and all other relevant documents submitted or that will be submitted to the SEC in connection with the Merger and the proposed transactions as they become available because they will contain important information about the Merger, the proposed transactions and related matters.

Matrix is expected to file certain reports in the U.S. by Form CB that may include information about the Transaction and our Company, pursuant to the Israeli Securities Law and regulations. Until the Closing of the Merger Agreement, we will furnish on Form 6-Ks (as-is) all such reports submitted by Matrix in the U.S.

Notice and Proxy Materials for Extraordinary General Meeting of Shareholders

In addition, we are publishing notice of the Company's extraordinary general meeting of shareholders (the "**Meeting**"), which is scheduled to take place at 2:00 p.m. (Israel local time) on Wednesday, December 10, 2025, at the principal executive offices of the Company, located at Terminal Center, 1 Yahadut Canada Street, Or Yehuda 6037501, Israel.

Shareholders of record at the close of business on Monday, November 10, 2025, are entitled to notice of, and to vote at, the Meeting.

Attached as Exhibit 99.2 are the Company's notice and proxy statement for the Meeting, which will be distributed to shareholders as of the record date, and which contains background information concerning each of the proposals for which the Company will seek approval at the Meeting and further logistical information related to the Meeting, including required majorities for approval of the proposals and methods for voting. The proxy statement also includes general information concerning Magic Software's board of directors, corporate governance and significant shareholders, and appends supporting documentation for one of the proposals.

Attached as Exhibit 99.3 is the form of proxy card that will be distributed to shareholders as of the record date and that may be used for voting by record shareholders in advance of the Meeting (shareholders holding shares through a bank, broker or other nominee will instead receive a voting instruction form for submitting their votes).

Also attached are the Company's condensed interim consolidated financial statements as of June 30, 2025 as Exhibit 99.4 and Matrix's consolidated financial statements as of June 30, 2025 as Exhibit 99.5.

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
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99.1	Agreement and Plan of Merger, dated as of November 3, 2025, by and among Magic and Matrix (Translation from the Original Hebrew – In the event of any discrepancy between the English version and the original Hebrew, the Hebrew version shall prevail)
99.2	Notice and Proxy Statement of Extraordinary General Meeting of Shareholders of Magic Software Enterprises Ltd. to be held on December 10, 2025
99.3	Form of Proxy Card for Magic Software Enterprises Ltd. Extraordinary General Meeting of Shareholders
99.4	Financial Statements of Magic Software Enterprises as of June 30, 2025
99.5	Financial Statements of Matrix IT as of June 30, 2025

SIGNATURES

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

MAGIC SOFTWARE ENTERPRISES LTD.
(Registrant)

By /s/ Asaf Berenstin

Name: Asaf Berenstin

Title: Chief Financial Officer

Date: November 3, 2025

Forward Looking Statements

Certain matters discussed in this report are forward-looking statements that involve a number of risks and uncertainties including, but not limited to, the satisfaction of the conditions to closing of the merger transaction, general economic conditions, the current ongoing US government shutdown situation and other risk factors detailed in the Company's annual report and other filings with the United States Securities and Exchange Commission. Our expectations and beliefs regarding these matters may not materialize, and actual results or events in the future are subject to risks and uncertainties that could cause actual results or events to differ materially from those projected. The forward-looking statements are based on information available to the Company as of the date hereof, and the Company disclaims any obligation to update any forward-looking statements, except as required by law.

Merger Agreement

Made and entered into on this 3 day of November, 2025

Between: **Matrix IT Ltd.**
Company No. 52-003941-3
of 3 Atir Yeda Street, Kfar Saba
Email: yifatg@matrix.co.il
("Matrix" and/or the "Acquirer")

of the first part;

And: **Magic Software Enterprises Ltd.**
Company No. 52-0036740
of 1 Yahadut Canada Street, Or Yehuda
Email: aberenstein@magicsoftware.com
("Magic" and/or the "Surviving Company")

of the second part;

And: **Magitrix Ltd.**
Company No. 51-723708-7
of 3 Atir Yeda Street, Kfar Saba
Email: yifatg@matrix.co.il
("Merger Sub")

of the third part;

(each of Matrix, Magic, and Merger Sub shall hereinafter be referred to individually as a "**Party**" and collectively as the "**Parties**")

Whereas: Matrix is a publicly traded company whose securities are listed for trade on the Tel Aviv Stock Exchange Ltd. (the "**TASE**" or the "**Stock Exchange**"), and Magic is a publicly traded company whose securities are listed for trade both on the TASE and on NASDAQ; and

Whereas: Both Matrix and Magic are controlled by Formula Systems (1985) Ltd. ("**Formula**"), which, as of the date of this Agreement, holds approximately 46.71% of the issued and paid-up share capital of Magic and approximately 48.13% of the issued and paid-up share capital of Matrix; and

Whereas: Merger Sub is a private company wholly owned by Matrix, established by Matrix for the purpose of carrying out the merger contemplated herein, and has had no business and/or other activity since its incorporation; and

- Whereas:** The Boards of Directors of Matrix and Magic each appointed a special and independent board committee to examine the possibility of entering into a transaction, to consider possible alternatives, if any, and various structures for its execution, and authorized such committees, among else, to conduct negotiations with the corresponding committee, to approve or reject the transaction, to determine its terms, and to submit their recommendations to the Board of Directors; and
- Whereas:** Each special committee retained independent legal and financial advisors, held extensive discussions concerning the transaction and its terms, examined the fairness of the merger consideration and the existence of possible alternatives and structures for its execution, and reached the conclusion that the execution of the transaction is in the best interests of the company (Matrix or Magic, as applicable) and its shareholders; and
- Whereas:** Following extensive negotiations between the special committees, Magic and Matrix reached a principal agreement regarding the main terms of the proposed merger transaction, including the merger consideration, which were set forth in a non-binding memorandum of understanding executed between the Parties on March 10, 2025; and
- Whereas:** The Parties wish to enter into this merger agreement (“**Agreement**”) for the purpose of executing a merger, under which Merger Sub shall merge with and into Magic in accordance with the provisions of Chapter One of Part Eight of the Companies Law (as defined below), so that upon completion of the transaction Merger Sub shall be dissolved, and Magic shall become a private company wholly owned by Matrix, whereby all Eligible Shareholders (as defined below) shall be entitled to the Merger Consideration (as defined below) in exchange for their shares in Magic, all in accordance with the provisions of this Agreement (the “**Merger**”); and
- Whereas:** The Boards of Directors of Matrix and of each of the merging companies (as defined below) (and in the case of Matrix and Magic, after the receipt of approval from their respective independent committees, including in their capacity as audit committees) have approved the entry into the Merger Transaction (as defined below); and
- Whereas:** The Parties wish to establish and define within the provisions of this Agreement the full legal framework governing their relationship in connection with the execution of the Merger, the payment for the Purchased Magic Shares (as defined below), and all other matters set forth herein, all in accordance with and subject to the provisions of this Agreement;

Therefore, it is hereby agreed between the Parties as follows:

1. **Introduction and Definitions**

- 1.1. The preamble to this Agreement and its appendices form an integral part hereof.
- 1.2. The headings of the Sections are for convenience of reference only and shall not be used for any other purpose, including the interpretation of this Agreement.
- 1.3. In this Agreement, the following terms shall have the meanings set forth alongside them:

- “Closing Date” or “Transaction Closing Date”** - The date on which the transaction is completed pursuant to this Agreement, as stated in Section 8 below, which shall occur on the tenth Business Day following the date on which all Conditions Precedent (other than those waived by a Party entitled to do so) set forth in Section 7 below have been satisfied, unless otherwise agreed by all the Parties, provided that at least thirty (30) days have passed since the general meeting approval in each of the Merging Companies and fifty (50) days since the merger proposals were submitted to the Registrar of Companies.
- “Companies Law”** - The Companies Law, 5759–1999, and the regulations promulgated thereunder.
- “Conditions Precedent”** - All the conditions precedent listed in Section 7.1 below.
- “Consideration Shares” or “Merger Consideration”** - As defined in Section 3.1 below.
- “Controlling Shareholder Transaction Regulations”** - The Securities Regulations (Transaction Between a Company and its Controlling Shareholder), 5761–2001.
- “Control”** - As defined in the Securities Law.
- “Copyleft Licenses”** - Open-source licenses that require, as a condition for the use of software code subject thereto, that any modification to such code and/or its combination or use together with another code component: (1) be made available or distributed in source code form free of charge; (2) be licensed for the creation of derivative works; (3) be distributed under the open-source license applicable to the relevant component with which it was combined; or (4) be distributed freely and without consideration. Without limiting the generality of the foregoing, it is clarified that Copyleft Licenses include, among others (non-exhaustive list), licenses of the following types: GNU General Public License, GNU Lesser General Public License, GNU Affero General Public License, Mozilla Public License, Common Development and Distribution License, and Eclipse Public License.

“Cyber Event”	- An event during which an attack is carried out on computer systems or embedded computer-based systems or infrastructures (including unauthorized or excessive access) by or on behalf of any party (internal or external to the relevant company) that may cause any damage to the relevant company as a result of the event.
“Dual-Listed Companies Rules and Regulations”	- The rules and regulations applicable to companies whose shares are traded both on the TASE and on NASDAQ and which are classified as a Foreign Private Issuer, including under U.S. securities laws and NASDAQ listing rules.
“Effective Date”	- The last trading day of Magic shares on the TASE or NASDAQ, whichever is later, preceding the date of issuance of the Merger Certificate as stated in Section 7.1.3.6 below.
“Eligible Shareholders”	- All shareholders of Magic as of the Effective Date (as defined below).
“Final Date for Fulfillment of Conditions Precedent”	- May 1, 2026, or such later date as may be agreed upon by all the Parties.
“Free and Clear”	- Free and clear of any right of any third party of any kind whatsoever, including, without limitation, free and clear of any lien, pledge, charge, attachment, levy, encumbrance, claim, blocking arrangement, preemptive right, tag-along right, right of first refusal, option to purchase, or any similar right, except for restrictions under the Tax Ruling, if any.

- “Fully Diluted Basis”** - The issued and paid-up share capital of the relevant entity, of any class, assuming the theoretical conversion and/or exercise of all convertible securities, convertible loans, and any right or option of any kind to acquire or receive shares of such entity (whether for consideration or without consideration).
- “General Meeting Regulations”** - The Companies Regulations (Notice and Announcement of a General Meeting and Class Meeting in a Public Company), 5760–2000.
- “Intellectual Property”** - Rights in know-how and databases, trademarks, copyrights, goodwill, inventions, patents, developments, technology, trade secrets, designs, works, domain names, social media accounts, computer software, and any other intellectual property rights or equivalent rights, whether registrable or not, recognized by law anywhere in the world, as well as any license or other right of use with respect to any of the foregoing.
- “Interim Period”** - The period from the date of execution of this Agreement until the Closing Date, or the lawful termination of this Agreement by either of the Parties pursuant to its provisions (whichever occurs earlier).
- “Investee Companies” or “Investee Company”** - Any company or other entity in which Magic or Matrix (as applicable) holds, directly or indirectly, equity or voting rights.
- “Magic Disclosure Documents”** - (a) The following disclosure documents to be provided by Magic to Matrix for inclusion in its reports relating to the transaction, as required under applicable law (including within the notice of the general meeting to be published for approval of the transaction under this Agreement (the **“Meeting Notice”**), pursuant to the Controlling Shareholder Transaction Regulations, and in the offering document to be published under U.S. securities laws for the purpose of offering the Consideration Shares to the Eligible Shareholders): a description of Magic, Magic’s financial statements, and Magic’s Board Report, all as required under the above regulations and subject to the reliefs and guidance provided (and any additional reliefs and guidance, if and as granted) by the Israel Securities Authority; and any other information and/or document provided by Magic to Matrix that Matrix is required to include in its reports relating to Magic under applicable law and/or upon request of the Israel Securities Authority and/or the TASE and/or the SEC or NASDAQ; and (b) the disclosure documents and any information and/or document that Magic is required to include in its Meeting Notice for approval of the Merger under applicable law and/or upon request of the SEC or NASDAQ.

- “Material Adverse Change”** - Any effect, change, event, development, or circumstance that occurs after the signing of this Agreement and before the later of (a) the date of convening of the general meeting of Magic and Matrix (the later of the two), and (b) subject to the Parties’ agreement regarding the occurrence of a Material Adverse Change, the date of receipt of the final regulatory approval required for completion of the transaction (other than receipt of the merger certificate from the Registrar of Companies), which, in the aggregate or individually, constitutes a material adverse change in respect of: (1) the financial condition, business, assets, operations, profits, property, rights, liabilities, or results of operations of the relevant company; or (2) the ability of the relevant company to perform its obligations under this Agreement or to complete the transaction hereunder, provided that, in determining whether a Material Adverse Change has occurred, no account shall be taken of any effect resulting from any of the following: (a) general changes or developments in the industries or markets in which the relevant company operates; (b) regulatory changes materially affecting the activities or profitability of the relevant company; (c) material acts of war, hostilities, or terrorism; (d) changes in International Financial Reporting Standards (IFRS) or other accounting standards applicable to the relevant company or in their interpretation; (e) changes directly resulting from the execution or performance of this Agreement; (f) effects of natural disasters (including weather damage, floods, or earthquakes) or pandemics on the relevant company, its financial condition, or results; (g) failure to meet forecasts or budgetary targets of the relevant company; or (h) changes in the share price and/or securities of the relevant company on the stock exchange or resulting from suspension or cessation of trading thereon; *except that*, to the extent that any of the events specified in clauses (a), (b), (c), (d), (f), or (h) above has a materially disproportionate adverse effect on the relevant company compared with other companies operating in its field, such disproportionate component shall be taken into account, among else, when assessing whether a Material Adverse Change has occurred.
- “Material Subsidiaries” or “Material Subsidiary”** - A Subsidiary of Magic or Matrix (as applicable) whose operating profit, according to the higher of (a) its audited consolidated financial statements for the period ended December 31, 2024, or (b) its reviewed consolidated financial statements for the period ended June 30, 2025 (if any), while the operating profit under the reviewed report is multiplied by two, exceeds 2% of the operating profit of Magic or Matrix (as applicable) according to their audited or reviewed consolidated financial statements (as applicable) for the same period.
- “Matrix Disclosure Documents”** - (a) The following disclosure documents to be provided by Matrix to Magic, so that Magic may include in the notice of the general meeting it will publish for approval of the transaction under this Agreement the information required of it pursuant to the rules and regulations applicable to Dual-Listed Companies: namely, the financial statements of Matrix as of December 31, 2024, and June 30, 2025, Matrix’s shelf prospectus, as well as the Meeting Notice (as defined above) with all of its appendices; and any other information and/or document to be provided by Matrix to Magic which Magic is required to include regarding Matrix in its reports relating to the transaction pursuant to applicable law and/or upon request of the SEC or NASDAQ and/or the Israel Securities Authority, or the TASE; and (b) the disclosure documents and any information and/or document that Matrix is required to include in its reports relating to the transaction pursuant to applicable law and/or upon request of the Israel Securities Authority and/or the TASE and/or the SEC subject to the reliefs and guidance provided by the Israel Securities Authority in connection with the Meeting Notice.

“Merged Company”	- Magic after the merger of Merger Sub into it.
“Merging Companies”	- The Surviving Company and Merger Sub.
“Merger Regulations”	- The Companies Regulations (Merger), 5760–2000.
“Merger Transaction”	- As defined in Section 2 below.
“Nominee Company”	- The Nominee Company of the Tel Aviv Stock Exchange Ltd., or any other company that may replace it.
“Ordinance”	- The Income Tax Ordinance [New Version], 5721–1961, and all regulations, rules, and orders promulgated thereunder.
“Purchased Magic Shares”	- All the ordinary shares of Magic of NIS 0.1 par value each, held by the Eligible Shareholders, which constitute as of this date, and shall constitute on the Transaction Closing Date, all of the issued and paid-up share capital of Magic, on an actual and fully diluted basis.
“Registered Intellectual Property”	- Any registration and any application for registration of an intellectual property right capable of registration before a competent authority anywhere in the world, including patents and patent applications (including divisional, continuation, or any other applications derived from an earlier patent application), trademarks and trademark applications, design registrations or applications, copyright registrations, domain name registrations, and similar registrations.

“Section 103T Trustee”	- A trustee to be appointed to serve as the Section 103t Trustee pursuant to the Tax Ruling.
“Securities Law”	- The Securities Law, 5728–1968, and the regulations promulgated thereunder.
“Shelf Offering Report”	- The shelf offering report to be published by Matrix for the issuance of the Consideration Shares (as defined below) pursuant to its shelf prospectus; provided that if it is not permissible under law or by order of a competent authority to issue the Consideration Shares through a shelf offering report, such shares shall be issued pursuant to a prospectus or amendment to a prospectus duly approved by the Israel Securities Authority.
“Special Committees” or “Independent Committees”	- The special and independent board committees appointed by the Boards of Directors of Magic and Matrix (each), pursuant to the resolution of Magic’s Board dated September 13, 2023, and the resolution of Matrix’s Board dated August 9, 2023.
“Specific Consideration Shares Trustee”	- A trustee, who shall serve as trustee for the benefit of Magic shareholders who do not hold their Magic shares through Magic’s nominee company and who, by the final date to be set in the notice of the general meeting to be convened by Magic for the purpose of approving this Agreement and the Merger Transaction, will not have provided details of the account of the TASE member through which the Consideration Shares will be held on their behalf (the “Specific Consideration Shares”); such trustee shall hold the Specific Consideration Shares on their behalf, in accordance with and subject to the provisions of Section 6.9 of this Agreement and the trust agreement to be executed between the Parties, the principal terms of which shall be published by Magic to its shareholders.

“Subsidiaries” or “Subsidiary” - A company (or other entity) controlled, directly or indirectly, by Magic or Matrix (as applicable).

“Tax” or “Taxes” - Taxes, fees, levies, duties, assessments, and other compulsory payments imposed by any governmental authority, in Israel or abroad (including taxes relating to income, capital gains, appreciation, sales, value added tax, levies on the employment of foreign workers, payroll tax, national insurance, health insurance, sales or purchase tax, customs levies, customs duties, stamp duty or property tax, excise, stamps, employment taxes, assessments), and any linkage differentials, interest thereon, fines in connection therewith, tax surcharges, or any additional amounts imposed by any tax authority in Israel or abroad, in connection with all of the foregoing, whether payable by a person or for the benefit of another in connection with tax consolidation, indemnification, or otherwise.

“Tax Ruling” - A pre-ruling of the Israel Tax Authority pursuant to Section 103t of the Income Tax Ordinance, regarding the tax arrangement applicable to the sale of Magic Shares in exchange for the Merger Consideration and the exemption from withholding tax at source to be granted to Matrix in respect of payment of the Merger Consideration.

2. **The Merger Transaction**

- 2.1. In accordance with the provisions of this Agreement and subject to the fulfillment of the Conditions Precedent as detailed in Section 7 below, on the Closing Date, all actions set forth in Section 8 below shall be carried out, as a result of which Merger Sub shall merge with and into Magic, such that all of Merger Sub’s activities, assets, and liabilities shall be transferred into Magic, and consequently, Merger Sub shall be dissolved and removed from the Register of Companies pursuant to Section 323 of the Companies Law. The Eligible Shareholders shall receive, on the Closing Date, in consideration for their Magic Shares, the Merger Consideration (the **“Merger Transaction”** or the **“Transaction”**). Following the Merger, Magic’s shares shall be delisted from trading on the TASE and NASDAQ, and Magic shall become a private company (as defined in the Companies Law) wholly owned by Matrix.

- 2.2. Prior to the date of execution of this Agreement, Formula delivered to the Parties a written undertaking attached hereto as **Appendix 2.2**, whereby it undertakes to vote by way of all of its shares in favor of the approval of the Merger Transaction and all related resolutions at the general meetings of both Matrix and Magic, the agendas of which shall include the approval of the Merger Transaction. Formula has also notified the Parties that it shall not sell its shares in Magic or Matrix in a manner that would cause it to cease to be the sole controlling shareholder of Magic and Matrix. This undertaking shall be in force as of the execution of the Merger Agreement and until the earlier of: (a) 15 months from the date of this Agreement, and (b) the Closing Date (the “**Formula Undertaking**”).

3. **Consideration Payable to the Eligible Shareholders**

- 3.1. On the Closing Date, all rights of the Eligible Shareholders in the Purchased Magic Shares shall be cancelled and converted into the right to receive ordinary shares of Matrix of NIS 1.00 par value each, such that immediately after completion of the Merger, the Eligible Shareholders shall hold 31.125% of the issued and paid-up share capital of Matrix on a Fully Diluted Basis, and the shareholders who held Matrix shares immediately prior to the Closing Date shall hold 68.875% of the issued and paid-up share capital of Matrix on a Fully Diluted Basis (the “**Exchange Ratio**” and the “**Consideration Shares**” or the “**Merger Consideration**,” as applicable).

For the purpose of this Section 3.1, “**issued and paid-up share capital of Matrix on a Fully Diluted Basis**” means the issued and paid-up share capital of Matrix as of the close of trading on the seventh trading day prior to the Closing Date (the “**Calculation Date**”), assuming the theoretical exercise of all options outstanding in Matrix’s share capital as of the Calculation Date, while the number of shares issued as a result of the exercise of the options as stated is calculated on a Net-Exercise basis, based on the closing price of each Matrix share on the TASE on the Calculation Date. The Consideration Shares shall be issued to the Eligible Shareholders when Free and Clear, and shall constitute the full and final consideration payable to the Eligible Shareholders for the Purchased Magic Shares.

- 3.2. Matrix undertakes that the Consideration Shares shall be issued to the Eligible Shareholders or to the Section 103T Trustee on their behalf, subject to the provisions of the Tax Ruling, as fully paid-up shares, Free and Clear, having identical rights, in all respects, to the ordinary shares of Matrix, and that they shall be listed for trading on the TASE.
- 3.3. It is clarified that Matrix shall not issue fractional shares. If the number of Consideration Shares to which a Magic shareholder is entitled does not result in a whole number, such number shall be rounded such that a fraction less than (exactly) 0.5 shall be rounded down to the nearest whole number, and a fraction equal to or greater than (exactly) 0.5 shall be rounded up to the nearest whole number.

- 3.4. The vote at Magic's shareholders meeting and the receipt of the Consideration Shares shall be deemed to constitute a purchase of shares pursuant to a prospectus, within the meaning of the Securities Law, and/or pursuant to any other offering document under the applicable law in the United States. For the avoidance of doubt, the date of Magic's shareholders meeting approving the Merger Transaction shall be deemed the end of the subscription period as defined in the Securities Law, for the purpose of disclosure obligations under such prospectus. Matrix undertakes to include this clause in the Shelf Offering Report.
- 3.5. For the avoidance of doubt, as stated in Section 6.1.4 below, during the Interim Period, each of Magic and Matrix shall be entitled to distribute dividends to its shareholders in accordance with its dividend distribution policy as of the date of execution of this Agreement (and for the avoidance of doubt, they will not distribute more than 75% of their net profit attributed to the shareholders), without affecting the Exchange Ratio or the Merger Consideration.
- 3.6. The Merger Consideration was determined through negotiations between the Parties' Independent Committees, assisted by external advisors. The transaction was approved by each company's Board of Directors following approval by its Independent Committee and Audit Committee, based, among else, on fairness opinions obtained by each Independent Committee from an external valuation expert regarding the fairness, from a financial point of view, of the transaction consideration to the shareholders of the respective company.

4. **Representations of the Parties**

- 4.1. Each of the Parties relies, in entering into this Agreement, on the representations set forth in this Section 4.

4.2. **Representations of Magic:**

Magic hereby represents and warrants as follows, subject to the disclosures set forth in the disclosure schedule attached hereto as Appendix 4.2 (the "**Magic Disclosure Schedule**"):

4.2.1. **General**

Magic was duly incorporated and organized under the laws of the State of Israel, is duly registered with the Registrar of Companies as an active company, and is not classified as a "Breaching Company" as such term is defined in the Companies Law. Magic is solvent, and to Magic's best knowledge, there are no proceedings against it, or against any of its Investee Companies, for dissolution, liquidation, stay of proceedings, receivership, or arrangement with creditors, nor any proceedings or petitions under the Insolvency and Economic Rehabilitation Law, 5778–2018 (the "**Insolvency Law**") (or any other applicable law), nor any similar proceedings, and Magic is not aware of any intention by any party or of any grounds for initiation of such proceedings. True and current copies of Magic's memorandum of association (if any) and articles of association are published on EDGAR (the online database of public filings maintained by the U.S. Securities and Exchange Commission, or the "**SEC**") ("**EDGAR**"). On Target Labs LLC Russia, a subsidiary (indirectly) of Magic, has not violated nor is it in violation of the sanctions of the Security Council, European Union, or the United States.

4.2.2. Share Capital

- 4.2.2.1. Magic's registered share capital is NIS 50,000,000 divided into 50,000,000 ordinary shares of NIS 0.1 par value each. Magic's issued and paid-up share capital, on an actual and Fully Diluted Basis, is 49,099,305 ordinary shares of NIS 0.1 par value each.
- 4.2.2.2. As of the date of execution of this Agreement and through the Closing Date, there are no outstanding securities convertible into Magic shares, nor any binding obligation of Magic or any of its officers to issue to any person or entity any shares or securities convertible into its shares and/or any other securities of any kind or class whatsoever.
- 4.2.2.3. Other than its issued and paid-up capital as set forth in Section 4.2.2.1, Magic has no other outstanding securities.

4.2.3. Authority to Enter into the Agreement

- 4.2.3.1. Subject to obtaining the approvals and fulfilling the conditions specified in Section 7.1 below, Magic is authorized to enter into this Agreement, the signatories signing on its behalf are duly authorized to bind it, and all resolutions required by law and by its corporate documents for the execution, implementation, and approval of this Agreement and all acts pursuant hereto have been duly adopted. The Independent Committee (including in its capacity as the Audit Committee) and the Board of Directors of Magic have approved the Merger and the performance of all of Magic's obligations under this Agreement. This Agreement constitutes a valid and legally binding obligation of Magic enforceable against it in accordance with its terms.
- 4.2.3.2. Subject to obtaining the approvals and fulfilling the conditions specified in Section 7.1 below, there is no prohibition, restriction, or other impediment, whether by law, agreement, commitment, judgment, order, or court decree, to Magic's entering into this Agreement or to the full performance of its obligations hereunder, and this Agreement does not contravene or conflict with any material law applicable to Magic and/or with any material agreement to which it is a party and shall not constitute a breach of its corporate documents.

- 4.2.3.3. The Board of Directors of Magic has confirmed that, having considered the financial condition of the Merging Companies and based on the representation in Section 4.3.3 below, that Merger Sub is an empty company with no operations, assets, or liabilities, there is no reasonable concern that, as a result of the Merger, the Merged Company will be unable to meet its obligations to its creditors in the foreseeable future following completion of the Merger.

4.2.4. Conduct in the Ordinary Course of Business

- 4.2.4.1. Since December 31, 2024, and until the date of execution of this Agreement, except as detailed in Magic's Immediate Reports and except as set forth in **Section 4.2.4** of the Magic Disclosure Schedule:
- a. Magic and/or any of its Subsidiaries have not entered into, nor undertaken to enter into, whether in writing or orally, any material transaction outside the ordinary course of business.
 - b. Magic and/or its Investee Companies have not allotted any shares or any securities convertible into shares, nor undertaken, whether in writing or orally, to make any such allotment in the future.
 - c. Magic has not sold, purchased, or transferred, nor undertaken, whether in writing or orally, to sell, purchase, or transfer, any shares or other control instruments in any of its Investee Companies, except as set forth in **Section 4.2.4** of the Magic Disclosure Schedule.
 - d. Neither Magic nor any of its Subsidiaries have paid, or undertaken whether in writing or orally to pay, any bonus, grant, or similar payment contingent upon completion of the Transaction.
 - e. Magic or any of its Investee Companies not wholly owned by it have not declared or distributed any cash dividend, or made any distribution (as defined in the Companies Law) to their shareholders in excess of the rate permitted for distribution by their dividend policy, and with respect to Subsidiaries that are not fully held and do not have a dividend policy – in an amount exceeding the rate of dividend distributed by them according to past practice.

- f. Magic and/or any of its Material Subsidiaries have not made any changes to their accounting policy or the manner in which it is applied.
 - g. Magic and/or any of its Subsidiaries have not terminated the employment of, or given notice of intent to terminate the employment of, nor received notice of termination of employment from, any Key Employee, and are not aware of any intention of any Key Employee to terminate his or her employment with Magic or any of its Subsidiaries. For this purpose, “**Key Employee**” shall have the meaning set forth in Appendix 4.3.4.3.
 - 4.2.4.2. Magic is not aware of any event or circumstance that may materially affect the assets, operations, or financial results of Magic and/or any of its Subsidiaries, which has not been disclosed in an Immediate Report by Magic or detailed in the Magic Disclosure Schedule.
 - 4.2.4.3. Since December 31, 2024, and until the date of execution of this Agreement, no Material Adverse Change has occurred with respect to Magic.
 - 4.2.5. Reports and Financial Statements
 - 4.2.5.1. Magic’s periodic report for 2024, as published on May 15, 2025, on EDGAR and MAGNA (Reference No. 2025-02-033961) (the “**Magic Periodic Report**”), includes, among else, the consolidated financial statements of Magic as of December 31, 2024, audited by Magic’s independent auditor (the “**Magic Annual Financial Statements**”), and is hereby incorporated by reference as an appendix to this Agreement (even if not physically attached hereto).
 - 4.2.5.2. The Magic Annual Financial Statements were duly prepared in accordance with IFRS and in accordance with accounting policies consistently applied with prior years (except for changes disclosed in the notes to the Magic Annual Financial Statements), and in compliance with all applicable rules and regulations governing Dual-Listed Companies.

- 4.2.5.3. The Magic 2024 Periodic Report is accurate in all material respects and fairly reflects, in all material respects, the business of Magic and its Subsidiaries, their financial and business condition, equity, receipts, assets, liabilities, existing restrictions (if any) in Magic on dividend distributions or other distributions, obligations, and the financial results of Magic and its Subsidiaries as of the date and for the period covered therein.
- 4.2.5.4. Magic's reports for the first and second quarters of 2025, as published on May 21, 2025, and August 13, 2025, respectively, on EDGAR and MAGNA (Reference Nos. 2025-02-035742 and 2025-02-060138, respectively) (the "**Magic Quarterly Reports**"), include the results of Magic's operations (on a consolidated basis) for the first and second quarters of 2025, respectively, and the financial position as of March 31, 2025, and June 30, 2025, respectively, and are hereby incorporated by reference as an appendix to this Agreement (even if not physically attached hereto).

Magic's Disclosure Documents include, among else, Magic's reviewed consolidated financial statements as of June 30, 2025 (the "**Magic Q2 Financial Statements**"), attached hereto as **Appendix 4.2.5.4**.

- 4.2.5.5. The quarterly financial statements of Magic, on which the Magic Quarterly Reports and the Magic Q2 Financial Statements are based, were duly prepared in accordance with IFRS and in accordance with accounting policies consistently applied with prior years, and in compliance with all applicable rules and regulations governing Dual-Listed Companies. The quarterly financial statements of Magic, on which the Magic Quarterly Reports and the Magic Q2 Financial Statements are based, are accurate in all material respects and fairly reflect, in all material respects, the business of Magic and its Subsidiaries, their financial and business condition, equity, receipts, assets, liabilities, existing restrictions (if any) in Magic on dividend distributions or other distributions, obligations, and the financial results of Magic and its Subsidiaries as of the relevant quarterly report date and for the period reported therein.

As set forth in the Magic Periodic Report, Magic identified a material weakness in its internal control over financial reporting, originating from the fact that documentation supporting the execution of certain internal controls within its revenue cycle, related to professional services provided by entities in the United States, was not comprehensively maintained (the "**Material Weakness**"). Following this conclusion, Magic's management is acting to remedy the Material Weakness and to continuously improve internal controls over financial reporting, including through the engagement of consultants and the formulation of a remediation plan (the "**Material Weakness Remediation Plan**").

- 4.2.5.6. In this regard, as reported in the Magic Periodic Report, Magic stated, among else, that “Magic’s management believes that the consolidated financial statements and the accompanying financial information included in the annual report fairly present, in all material respects, the financial position, results of operations, and cash flows as of and for the years ended December 31, 2024 and 2023, and for the three-year period ended December 31, 2024, in accordance with IFRS.”
- 4.2.5.7. Magic has complied, and has been in compliance in all material respects, during the 36 months preceding the execution of this Agreement, with all disclosure requirements set forth in the rules and regulations applicable to Dual-Listed Companies (the “**Magic Reports**”). As of their respective publication dates, all Magic Reports complied, in all material respects, with the disclosure requirements set forth in such rules and regulations. Without derogating from the generality of the foregoing, the Magic Reports were prepared in accordance with applicable law, published on time, and did not include any “Misleading Item” (as defined by applicable law).
- 4.2.5.8. The Magic Disclosure Documents were prepared, in all material respects, in accordance with applicable law, including the Controlling Shareholder Transaction Regulations (where applicable), fairly reflect, as required by law, the condition and business of Magic and its Investee Companies, and do not contain any misleading item, as such term is defined in the Securities Law or any other applicable law, nor omit any detail required so as not to render them misleading.

4.2.6. Companies Held by Magic

- 4.2.6.1. **Section 4.2.6.1(a)** of the Magic Disclosure Schedule details all of Magic’s Investee Companies. **Section 4.2.6.1(b)** of the Magic Disclosure Schedule specifies: (a) the issued and paid-up share capital of each Investee Company, on an actual and Fully Diluted Basis; and (b) the identity of each shareholder in each Investee Company and the percentage of the share capital of such Investee Company held by each of them, on an actual and Fully Diluted Basis. Except for the Investee Companies listed in **Section 4.2.6.1** of the Magic Disclosure Schedule, Magic does not hold, directly or indirectly, any shares, equity interests, or voting rights in any other corporation. Except as detailed in **Section 4.2.6.1 (c)** of the Magic Disclosure Schedule, none of Magic’s Investee Companies have allotted any securities convertible into shares, nor does any of them or any of their officers have any valid, written or oral, obligation toward any person or entity to issue to them any shares or securities convertible into shares and/or any other securities of any kind or class. Except as set forth in **Sections 4.2.6.1(b)** and **4.2.6.1(c)** of the Magic Disclosure Schedule, Magic’s Investee Companies have no other outstanding securities.

- 4.2.6.2. Except as set forth in Section **4.2.6.2** of the Magic Disclosure Schedule, all shares and equity rights held by Magic and/or its Subsidiaries, directly or indirectly, in each of the Investee Companies were allotted to them lawfully and in accordance with the corporate documents of the relevant Investee Companies, are fully paid, and are owned exclusively by them. All such shares and equity rights are free and clear and are not the subject of any claims or legal proceedings (including arbitration and/or liquidation and/or receivership proceedings). Except as set forth in Section **4.2.6.2** of the Magic Disclosure Schedule, the execution and/or performance of this Agreement does not constitute a trigger for the exercise of any Put Option held by any shareholder in any of Magic's Subsidiaries.

4.2.7. Taxes

- 4.2.7.1. Magic and each of its Subsidiaries have paid, when due, all Taxes owed or required by law to be withheld at source, the final payment date of which has passed (subject to any extensions granted, if applicable), and have made adequate provisions in their financial statements for tax liabilities whose final payment date has not yet arrived, including provisions for uncertain tax positions and tax exposures, all in all material respects.
- 4.2.7.2. Except as detailed in **Section 4.2.7.2** of the Magic Disclosure Schedule, Magic and/or any of its Subsidiaries: (1) are not parties to any pending (criminal or administrative) proceedings, investigations, audits, or claims against them by any tax authorities (including appeals); and (2) have not received any written notice, demand, or claim regarding any tax liabilities or tax payments (beyond what is reflected in their filed tax returns), nor any written notice of the initiation of any investigation, review, or audit by the tax authorities concerning violations of tax laws or pending assessments relating to reports, filings, or payments or withholdings submitted by them. To Magic's best knowledge, no such investigations, reviews, or audits are being conducted by the tax authorities.

- 4.2.7.3. Subject to the fulfillment of the Conditions Precedent, the execution and performance of this Agreement do not violate any of the terms of approvals received by Magic or its Subsidiaries from the tax authorities and do not give rise to any tax liability for Magic or its Subsidiaries.
- 4.2.7.4. To the best of Magic's knowledge, Magic and/or each of its Israeli Subsidiaries have duly reported, in their tax returns over the past seven years, transactions as specified in Section 131(g) of the Ordinance and in the Income Tax Regulations (Reportable Tax Planning), 5767–2006, promulgated thereunder, if and to the extent such transactions were carried out by them. Magic and/or each of its Subsidiaries have duly reported, in their tax returns over the past seven years, opinions as defined in Section 131D(a) of the Ordinance, if and to the extent such opinions were received by them.
- 4.2.7.5. Except as detailed in **Section 4.2.7.5** of the Magic Disclosure Schedule, neither Magic nor any of its Subsidiaries enjoy any tax benefits, including reduced tax rates, grants, subsidies, tax deferral arrangements, or similar benefits. Magic and/or its Subsidiaries are not Approved, Benefited, Preferred, Technological, or Preferred Technological Enterprises, as such terms are defined in the Encouragement of Capital Investments Law, 5719–1959, and have not received any grant from any governmental authority.
- 4.2.8. Legal Proceedings
- 4.2.8.1. Magic is not aware of any investigation or other administrative proceeding concerning its or its Investee Companies' compliance with the law, and has not received any written notice of intention by any governmental or administrative authority to initiate such investigation or proceeding, including the imposition of monetary sanctions, except for any such investigation or proceeding (including the imposition of monetary sanctions) that has not caused and is not reasonably likely to cause a non-material adverse effect on Magic's (on a consolidated basis) operations, financial condition, or results.

- 4.2.8.2. There are no pending legal claims, legal proceedings (criminal or civil), or quasi-judicial proceedings (including administrative, arbitration, mediation, or conciliation proceedings), in Israel or abroad, against Magic or its Investee Companies that may materially affect Magic's operations, financial condition, or results (on a consolidated basis), and Magic is not aware of any intention to initiate such proceedings.
- 4.2.8.3. Magic is not in violation of any judgment or decision of any competent court and/or governmental and/or municipal authority rendered against Magic that would materially and adversely affect its business.

4.2.9. Intellectual Property

- 4.2.9.1. Magic and/or its Subsidiaries are the sole and exclusive owners, or lawfully licensed (including by agreement) from the rights holders, of all Intellectual Property used by them and required for the conduct of their current and future business operations, in all material respects. The Intellectual Property rights of Magic and/or its Subsidiaries are free and clear, subject to the terms of the agreements governing such rights, and Magic and its Subsidiaries are in material compliance with the relevant provisions of such agreements.
- 4.2.9.2. All Registered Intellectual Property of Magic and/or its Subsidiaries that is not in application status is valid and in force, all actions required for its registration or maintenance have been duly taken, and all required fees to any competent authority have been lawfully paid. Magic is not aware of any third party that has initiated proceedings challenging or disputing the rights of Magic and/or its Subsidiaries in such Registered Intellectual Property.
- 4.2.9.3. Magic and its Subsidiaries take reasonable measures to protect the confidentiality, secrecy, and value of all their Intellectual Property rights and trade secrets (including, without limitation, their source code).
- 4.2.9.4. Except as detailed in Appendix 4.2.9.4 to the Magic Disclosure Schedule, Magic and its Subsidiaries do not use open-source licenses in a manner that requires or may require the subjection of any of their Intellectual Property rights to Copyleft Licenses, or the free distribution of any of their Intellectual Property rights, or the obligation to provide open access to any of their Intellectual Property rights to third parties.

- 4.2.9.5. To Magic's best knowledge, neither Magic nor any of its Subsidiaries infringe upon the Intellectual Property rights of any third party. Magic is not aware of any third party claiming that Magic and/or its Subsidiaries infringe upon such rights, and neither Magic nor any of its Subsidiaries has, during the three years preceding the date of this Agreement, received any written warning letters and/or claims from any third party alleging infringement of any Intellectual Property rights by Magic and/or its Subsidiaries.
- 4.2.9.6. Magic is not aware of any third party infringing its or its Subsidiaries' Intellectual Property rights.
- 4.2.9.7. All employees and service providers who have contributed to the development of Magic's and/or its Subsidiaries' Intellectual Property have executed assignment agreements granting all Intellectual Property rights in the results of their work or services (as applicable) to Magic and/or its Subsidiaries. No third party (and in particular no university, research institute, governmental authority, or the like) holds any rights in the Intellectual Property of Magic or its Subsidiaries, and neither Magic nor its Subsidiaries own any Intellectual Property jointly with any third party.
- 4.2.9.8. To Magic's best knowledge, neither Magic nor its Material Subsidiaries are obligated under any law or agreement to pay any royalties or other payments to any third party for the use of any third party's Intellectual Property rights (except for non-material payments in respect of standard off-the-shelf software).
- 4.2.9.9. The execution of this Agreement by Magic and the consummation of the transactions contemplated herein shall not result in the loss of any Intellectual Property rights of Magic and/or its Subsidiaries, nor in the creation of any payment obligations to any governmental authority in connection with such Intellectual Property.
- 4.2.10. Employees
- 4.2.10.1. **Section 4.2.10.1** of the Magic Disclosure Schedule includes details of the full terms of employment of each of the five most highly compensated officeholders among the senior officers of Magic or of a corporation under its control, as well as of each of the three most highly compensated senior officers of Magic itself. For this purpose, "**Senior Officer**" means a Chief Executive Officer, Chief Operating Officer, Deputy Chief Executive Officer, Vice President, Accountant, Director, any person performing one of the above functions even if his title differs, and a manager directly subordinate to the Chief Executive Officer.

- 4.2.10.2. Except as detailed in **Section 4.2.10.2** of the Magic Disclosure Schedule, Magic and its Subsidiaries have complied with all material obligations imposed upon them under applicable law, including the law applicable in the place of employment, in connection with the employment of their employees. Without limiting the generality of the foregoing, to the extent that any license, permit, or visa is required by law for the employment of any of Magic's or its Subsidiaries' employees or service providers, such authorization has been duly obtained in accordance with applicable law.
- 4.2.10.3. All payments that Magic and its Subsidiaries are required to make to employees under applicable law, including the law applicable in the place of employment, have been fully and timely paid and/or accrued as required. This includes, among else, severance pay, vacation pay, and convalescence pay, all of which have been fully accrued and/or paid in accordance with generally accepted accounting principles in their financial statements and/or fully deposited into applicable plans. All amounts that Magic and/or its Subsidiaries are required by law or agreement to deduct from employee salaries or any other compensation or benefit and remit to authorities (including pension arrangements pursuant to law), and for which the due date has passed, have been deducted, deposited, transferred, and/or paid, and Magic and its Subsidiaries have no material liability in this regard (other than routine deductions, transfers, deposits, and payments made in the ordinary course of business consistent with past practice).
- 4.2.10.4. Magic and its Subsidiaries are not parties to any collective bargaining agreement or arrangement and are not subject to any extension order, nor do they have any agreement or arrangement with any labor union. As of the date of execution of this Agreement, there is no representative employee organization or employee committee in Magic or its Subsidiaries. Magic is not aware of any unionization efforts, activities, or proceedings intended to organize the employees of Magic and/or its Subsidiaries, and during the three years preceding the date of this Agreement, there have been no such unionization efforts or attempts in Magic or its Subsidiaries. As of this date, Magic is not a member of any employers' organization and has not received any approach or demand from any employers' organization in the three years preceding the execution of this Agreement. During the three years preceding the execution of this Agreement, there have been no strikes, slowdowns, work stoppages, shutdowns, or sanctions resulting from employee organization efforts at Magic or its Subsidiaries.

- 4.2.10.5. Except as detailed in Appendix 4.2.10.5 of the Magic Disclosure Schedule, Magic and its Subsidiaries are not in material breach and are, in all material respects, in compliance with the provisions of any applicable law, including the law applicable in the place of employment, or any applicable agreement relating to contractors, service providers, or personnel engaged with them (collectively, the “**Service Providers**”). To Magic’s best knowledge, there are no claims by Magic or its Subsidiaries against any Service Provider, nor any claims by any Service Provider against Magic or its Subsidiaries, regarding any material breach of the applicable agreement or engagement between the parties and/or concerning the existence of employment relations between such Service Provider and Magic and/or its Subsidiaries or the proper classification of such Service Providers as independent contractors. Magic and/or its Subsidiaries are not aware of any current or former Service Provider who has made, or intends to make, any demand, claim, or legal action asserting the existence of employment relations with Magic and/or its Subsidiaries.
- 4.2.10.6. Except as detailed in Appendix 4.2.10.6 of the Magic Disclosure Schedule, the implementation of this Agreement (including all appendices hereto) will not: (a) cause Magic or any of its Subsidiaries to pay any bonus and/or any other material one-time payment to employees or Service Providers; or (b) cause an increase in the value of any material benefit payable by Magic or any of its Subsidiaries to employees or Service Providers; or (c) cause any acceleration of payment dates or vesting dates of any material benefit to employees or Service Providers of Magic or its Subsidiaries.
- 4.2.10.7. Except as set forth in Section 4.2.10.7 of the Magic Disclosure Schedule: (a) there are no pending legal proceedings, arbitrations, or demand letters against Magic or its Subsidiaries in connection with employment relations between the companies and their employees that have had, or are reasonably likely to have, a non-material adverse effect on Magic’s operations (at the Magic Group level); (b) Magic is not aware of any pending audits or investigations against Magic or its Subsidiaries in connection with employment relations between the companies and their employees that have had, or are reasonably likely to have, a non-material adverse effect on Magic’s operations (at the Magic Group level); and (c) there are no claims, nor have there been any claims, relating to fraud, embezzlement, criminal acts, misconduct, or misuse of funds or assets of Magic or its Investee Companies by any officer, employee, or Service Provider of Magic or its Investee Companies during the past three (3) years.

4.2.11. Cyber Events

- 4.2.11.1. To Magic's best knowledge, during the past two years, no Cyber Event has occurred at Magic and/or its Subsidiaries, including any unauthorized access to information systems, ransomware attack, data breach, unauthorized access to data, or any other technological failure that has adversely affected the operations, reputation, assets, liabilities, and/or legal compliance of Magic and/or its Subsidiaries.
- 4.2.11.2. Magic is not aware of any material breach, failure, or damage to its and/or its Subsidiaries' systems and/or IT infrastructures that has not been remedied, and neither Magic nor, to Magic's best knowledge, any of its Subsidiaries has received any demand, complaint, or inquiry from any third party concerning any data security breach, privacy violation, or data leak resulting from a Cyber Event.
- 4.2.11.3. Magic and its Material Subsidiaries take the necessary measures to mitigate the risk of a Cyber Event, in accordance with the standards commonly applied in the market for public companies of the size and in the fields of activity of Magic.

4.2.12. Financing Agreements

- 4.2.12.1. The financing agreements to which Magic and/or any of its Subsidiaries are parties are valid, binding, and duly performed by all parties thereto. Neither Magic nor its Material Subsidiaries are in material breach and/or default under such financing agreements, and no lender has alleged any breach or default thereunder. No event or circumstance has occurred which, with notice or the passage of time or both, would constitute a breach or default under any such agreement. Except as detailed in **Section 4.2.12.1** of the Magic Disclosure Schedule, the execution of this Agreement and the consummation of the transaction contemplated hereby shall not result in a breach of, or constitute an event of default under, any financing agreement to which Magic and/or any of its Subsidiaries are parties, nor shall it trigger any right of the lender or any third party under such financing agreement to declare the debt immediately due and payable, realize any collateral, demand additional security, or alter its terms.

4.2.12.2. Except as detailed in Section **4.2.12.2** of the Magic Disclosure Schedule, the execution of this Agreement and the consummation of the transaction contemplated hereby do not require the consent or waiver of any lender of Magic and/or its Subsidiaries.

For the purposes of this Section 4.2.12, the term “**Financing Agreement**” means any financing agreement of any kind, including loans, credit facilities, hedging transactions, and guarantees to which Magic and/or its Subsidiaries are parties, including any agreement granting the lender any lien or security interest of any kind in the assets of Magic and/or its Subsidiaries, but excluding intercompany agreements within the Magic Group with entities wholly owned by Magic.

4.2.13. Due Diligence

Without derogating from the representations included in this Agreement, Magic confirms that it is entering into this Agreement after having conducted a due diligence review to its satisfaction regarding Matrix and its Subsidiaries, based on data and documents made available to it by Matrix, after consulting with all external advisors and experts it deemed appropriate, and has determined that the transaction is suitable for its needs.

4.2.14. Validity of Representations

4.2.14.1. Magic acknowledges that Matrix is entering into this Agreement in reliance upon its representations and undertakings set forth in this Section 4.2.

4.2.14.2. Except for the representations and warranties expressly made by Magic in this Agreement, no other representations, express or implied, have been made to Matrix or to Merger Sub by Magic.

4.2.14.3. All of Magic’s representations and warranties set forth in Section 4.2 above shall automatically expire and terminate immediately upon the Closing Date (other than for the purpose of the representations insurance policy described in Section 6.10 of this Agreement, if acquired). It is clarified that following the Closing Date, Matrix and Merger Sub shall have no claim or cause of action against Magic and/or its officers and/or anyone on its behalf for any inaccuracy in such representations, in whole or in part.

4.3. **Representations of Merger Sub**

Merger Sub hereby represents and warrants, and Matrix hereby confirms, represents, and warrants with respect to Merger Sub, as follows:

- 4.3.1. Merger Sub was duly incorporated and organized under the laws of the State of Israel on October 30, 2025, is duly registered with the Registrar of Companies as an active company, and is not considered a “breaching company” as such term is defined in the Companies Law. No liquidation or dissolution proceedings are pending against it (other than those arising from the execution and performance of this Agreement) nor any proceedings for its winding-up, liquidation, receivership, or similar actions, and there is no threat to initiate any such actions. A copy of Merger Sub’s Memorandum of Association and Articles of Association is attached as Section **4.3.1** to the Matrix Disclosure Schedule.
- 4.3.2. Merger Sub is a private company. Its authorized share capital consists of 1,000 ordinary shares with NIS 1.00 par value each. Its issued share capital consists of 100 ordinary shares with NIS 1 par value each, all of which (including all control rights in Merger Sub) have been held in full since its incorporation by the Acquirer.
- 4.3.3. From the date of its incorporation until the date of execution of this Agreement, Merger Sub has had no business activity, is empty of assets and liabilities, and is not a party to any agreements (other than this Agreement). Accordingly, it has not prepared any financial statements and will not have any such business activity or liabilities until the Closing Date (except as required for the performance of this Agreement).
- 4.3.4. Merger Sub has no obligation, nor does any of its officers, to issue any shares or convertible securities and/or any rights and/or any other securities of any kind or class to any person or entity, and neither Merger Sub nor any of its officers or directors shall undertake such obligations until the Closing Date.
- 4.3.5. Subject to the receipt of approvals and satisfaction of the conditions set forth in Section 7.1 below, the signatories on behalf of Merger Sub are duly authorized to bind it by their signatures; the Merger Sub has full corporate authority to enter into this Agreement and has obtained all necessary resolutions under applicable law and its corporate documents for the purpose of executing this Agreement, implementing it, and approving all actions taken pursuant hereto. The shareholder and the Board of Directors of Merger Sub have approved the Merger and the performance of all of Merger Sub’s obligations under this Agreement. This Agreement constitutes a valid and binding obligation of Merger Sub, enforceable against it in accordance with its terms.

- 4.3.6. Subject to the receipt of approvals and satisfaction of the conditions set forth in Section 7.1 below, there is no prohibition, restriction, or other impediment, whether under law or contract, judgment, order, or decree, preventing Merger Sub from entering into this Agreement and fully performing its obligations hereunder. The transaction contemplated by this Agreement does not conflict with or contravene any material legal provisions applicable to it and/or any material agreement to which it is a party and will not constitute a breach of its corporate documents.
- 4.3.7. The Board of Directors of Merger Sub has approved that, considering the financial condition of the merging companies, relying on the representations in this Agreement, and noting that Merger Sub is a company with no activity, assets, or liabilities, there is no reasonable concern that, as a result of the Merger, the merged company will be unable to meet its obligations to its creditors in the foreseeable future after the completion of the Merger.
- 4.3.8. Except for the representations and warranties expressly made by Merger Sub in this Agreement, no other representations, express or implied, have been made by Merger Sub to Magic.
- 4.4. All of the representations and warranties of Merger Sub set forth in this Section 4.3 shall automatically expire and terminate immediately upon the Closing Date, and following the Closing Date, Magic shall have no claim or cause of action against Merger Sub and/or its officers and/or anyone on its behalf for any inaccuracy in such representations, in whole or in part.
- 4.5. **Representations of Matrix:**

Matrix hereby represents and warrants as follows, subject to the disclosures in the disclosure schedule attached hereto as Appendix 4.5 (the “**Matrix Disclosure Schedule**”):

4.5.1. **General**

- 4.5.1.1. Matrix is the owner and holder of all the issued and allotted share capital of Merger Sub, and it represents and warrants that the representations and warranties of Merger Sub in Section 4.3 above are true and complete.

- 4.5.1.2. Matrix was duly incorporated and organized under the laws of the State of Israel, is duly registered with the Registrar of Companies as an active company, and is not considered a “breaching company” as such term is defined in the Companies Law. Matrix is solvent, and to its best knowledge, no proceedings are pending against it or any of its Investee Companies for dissolution, liquidation, receivership, or arrangement with creditors, or any proceedings or petitions under the Insolvency Law (or any other applicable law), or any similar proceedings, and Matrix is not aware of any intent or grounds by any party to initiate such proceedings. Correct and updated copies of Matrix’s Memorandum of Association (if any) and Articles of Association are published in the distribution system of the Israel Securities Authority (the “MAGNA”).
- 4.5.1.3. Subject to the fulfillment of the Conditions Precedent, Matrix shall have, as of the Closing Date, full ability and means required to allot the Consideration Shares to the Eligible Shareholders of Magic.

4.5.2. Share Capital

- 4.5.2.1. The authorized share capital of Matrix consists of 100,000,000 ordinary shares with a nominal value of NIS 1.00 each. As of the date of execution of this Agreement, Matrix’s issued and paid-up share capital, on an actual and Fully Diluted Basis, consists of 64,286,889 and 64,875,889 ordinary shares of NIS 1.00 nominal value each, respectively (of which 653,860 are dormant shares). The authorized share capital of Matrix is sufficient to allot the Consideration Shares in accordance with this Agreement.
- 4.5.2.2. As of the date of execution of this Agreement and as of the Closing Date, except as detailed in Section 4.5.2.2 of the Matrix Disclosure Schedule, there are no outstanding securities convertible into Matrix’s share capital, and except for Matrix’s obligation to allot shares to the holders of convertible securities as detailed in Section 4.5.2.2 of the Matrix Disclosure Schedule, and except for its obligation toward Magic’s shareholders to allot to them the Consideration Shares as set forth in this Agreement, Matrix and its officers have no valid, written or oral, obligation toward any person or entity to allot to them any of its shares, securities convertible into its shares, and/or any other securities of any kind or class.

4.5.3. Authority to Enter into the Agreement

4.5.3.1. Subject to the receipt of approvals and fulfillment of the conditions set forth in Section 7.1 below, Matrix is duly authorized to enter into this Agreement. The signatories on its behalf are duly authorized to bind it by their signatures, and Matrix has obtained all necessary resolutions required under applicable law and its corporate documents for the purpose of entering into this Agreement, implementing it, and approving all actions taken pursuant hereto. The Independent Committee (including in its capacity as the Audit Committee) and the Board of Directors of Matrix have approved the Merger and the performance of all of Matrix's obligations under this Agreement. This Agreement constitutes a valid and binding obligation of Matrix, enforceable against it in accordance with its terms.

4.5.4. Subject to the receipt of approvals and fulfillment of the conditions set forth in Section 7.1 below, there is no prohibition, restriction, or other impediment, whether under law, contract, judgment, order, or decree, preventing Matrix from entering into this Agreement and fully performing its obligations hereunder. The transaction contemplated by this Agreement does not conflict with or contravene any material legal provisions applicable to Matrix and/or any material agreement to which it is a party, and shall not constitute a breach of its corporate documents.

4.5.5. Conduct in the Ordinary Course of Business

From December 31, 2024, until the date of execution of this Agreement, and except as detailed in Matrix's current and quarterly reports and in Section 4.5.4 of the Matrix Disclosure Schedule:

- a. Matrix and/or any of its Subsidiaries have not entered into, nor undertaken to enter into, in writing or orally, any material transaction outside the ordinary course of their business.
- b. Matrix and/or its Investee Companies have not allotted any shares or securities convertible into shares and have not undertaken, in writing or orally, to make any such allotment in the future.
- c. Matrix has not sold, purchased, or transferred, nor undertaken, in writing or orally, to sell, purchase, or transfer, any shares or other means of control in any of its Investee Companies.

- d. Neither Matrix nor any of its Subsidiaries has paid or undertaken, in writing or orally, to pay any bonus, grant, or similar payment contingent upon completion of the transaction.
 - e. Neither Matrix nor any of its Investee Companies that are not wholly owned by it has declared or distributed any cash dividend or made any distribution (as such term is defined in the Companies Law) to its shareholders at a rate exceeding the rate permitted for distribution under its dividend policy, and, with respect to Subsidiaries that are not wholly owned and have no dividend policy, at a rate exceeding the rate customarily distributed by them according to past practice.
 - f. Matrix and/or any of its Material Subsidiaries have not made changes to their accounting policies or the manner of their implementation.
 - g. Matrix and/or any of its Subsidiaries have not terminated, notified of intent to terminate, or received notice of termination of employment of any Key Employee, and neither Matrix nor any of its Subsidiaries is aware of any intention by any Key Employee to terminate his or her employment with Matrix or any of its Subsidiaries. For this purpose, the term “**Key Employee**” shall have the meaning set forth in **Appendix 4.5.4g**
- 4.5.5.1. Matrix is not aware of any event or circumstance that may materially affect the assets, operations, or financial results of Matrix and/or any of its Subsidiaries, other than as disclosed in Matrix’s current reports or detailed in the Matrix Disclosure Schedule.
- 4.5.5.2. Since December 31, 2024, and until the date of execution of this Agreement, no Material Adverse Change has occurred with respect to Matrix.
- 4.5.6. Reports and Financial Statements
- 4.5.6.1. The periodic report of Matrix for 2024, as published on MAGNA on March 16, 2025 (Reference No. 2025-01-017214) (the “**Matrix Periodic Report**”), includes, among else: (1) the audited consolidated financial statements of Matrix as of December 31, 2024 (the “**Matrix Annual Financial Statements**”); (2) the Board of Directors’ Report of Matrix as of December 31, 2024 (the “**Matrix Annual Report as of December 31, 2024**”); and (3) the description of Matrix’s corporate business for 2024 (the “**Matrix MD&A for 2024**”), and all of the above are incorporated herein by reference (even if not physically attached to this Agreement).

- 4.5.6.2. The quarterly report of Matrix for the first quarter of 2025, as published on MAGNA on May 13, 2025 (Reference No. 2025-01-033244) (the “**Matrix Q1 Report**”), includes, among else: (1) the consolidated reviewed financial statements of Matrix as of March 31, 2025 (the “**Matrix Q1 Financial Statements**”); and (2) the Board of Directors’ Report of Matrix as of March 31, 2025 (the “**Matrix Quarterly Report as of March 31, 2025**”), and all of the above are incorporated herein by reference (even if not physically attached to this Agreement).
- 4.5.6.3. The quarterly report of Matrix for the second quarter of 2025, as published on MAGNA on August 12, 2025 (Reference No. 2022-01-059498) (the “**Matrix Q2 Report**”), includes, among else: (1) the consolidated reviewed financial statements of Matrix as of June 30, 2025 (the “**Matrix Q2 Financial Statements**”); and (2) the Board of Directors’ Report of Matrix as of June 30, 2025 (the “**Matrix Quarterly Report as of June 30, 2025**”), and all of the above are incorporated herein by reference (even if not physically attached to this Agreement).
- 4.5.6.4. The Matrix Annual Financial Statements, the Matrix Q1 Financial Statements, and the Matrix Q2 Financial Statements were duly prepared in accordance with IFRS and in accordance with accounting policies consistently applied with those of previous years (except for changes disclosed in the notes to the Matrix Annual Financial Statements), and in accordance with all applicable laws and regulations governing companies whose shares are traded on a stock exchange and which are “Reporting Corporations” as defined in the Securities Law, including the Securities Regulations (Annual Financial Statements), 5770–2010.
- 4.5.6.5. The Matrix Annual Report as of December 31, 2024, the Matrix MD&A for 2024, and the Matrix Quarterly Reports as of March 31, 2025, and June 30, 2025, were prepared in accordance with the Securities Regulations (Periodic and Immediate Reports), 5730–1970.
- 4.5.6.6. The Matrix Annual Report, the Matrix Q1 Report, and the Matrix Q2 Report are accurate in all material respects and reflect, in all material respects, the business of Matrix and its Subsidiaries, their financial and business condition, capital, revenues, assets, liabilities, any existing restrictions (if any) on Matrix with respect to the distribution of dividends or any other distribution, their obligations, and the financial results of Matrix and its Subsidiaries as of the dates and for the periods to which they relate.

- 4.5.6.7. Matrix complies, and has complied in all material respects during the 36 months preceding the execution of this Agreement, with all disclosure requirements set forth in the Securities Law and the regulations promulgated thereunder (“**Matrix Reports**”). As of the relevant dates on which they were published, all Matrix Reports complied, in all material respects, with the requirements of the Securities Law and the regulations promulgated thereunder. The Matrix Reports were prepared in accordance with applicable law, published in a timely manner, and did not include any “misleading detail” (as such term is defined in the Securities Law).
- 4.5.6.8. The Matrix Disclosure Documents were prepared, in all material respects, in accordance with the provisions of applicable law. They accurately reflect, as required by law, the condition and business of Matrix and its Investee Companies, and do not include any misleading detail, as such term is defined in the Securities Law or any other applicable law, and do not omit any information necessary to ensure that they are not misleading.

4.5.7. Investee Companies of Matrix

- 4.5.7.1. Section 4.5.7.1(a) of the Matrix Disclosure Schedule details all of Matrix’s Investee Companies. Section 4.5.7.1(b) of the Matrix Disclosure Schedule specifies: (a) the issued and paid-up share capital of each Investee Company, on both an actual and Fully Diluted Basis; and (b) the identity of each shareholder in each Investee Company and the percentage of shares held by such shareholder in the relevant Investee Company, on both an actual and Fully Diluted Basis. Except for the Investee Companies listed in Section 4.5.7.1(a) of the Matrix Disclosure Schedule, Matrix does not directly or indirectly hold any shares, equity rights, or voting rights in any other corporation. Except as detailed in Section 4.5.7.1(c) of the Matrix Disclosure Schedule, the Investee Companies have not allotted any securities convertible into their shares, and there is no valid, written or oral, undertaking by any of the Investee Companies or any of their directors toward any person or entity to allot shares or securities convertible into shares and/or other securities of any kind or class. Except as detailed in Sections 4.5.7.1(b) and 4.5.7.1(c) of the Matrix Disclosure Schedule, the Investee Companies of Matrix have no other outstanding securities.

- 4.5.7.2. All shares and equity rights held by Matrix and/or its Subsidiaries, directly or indirectly, in each of the Investee Companies, were duly allotted in accordance with applicable law and the incorporation documents of such Investee Companies, have been fully paid, and are owned exclusively by them. All such shares and equity rights are free and clear and are not subject to any claims or legal proceedings (including arbitration, liquidation, or receivership proceedings). The execution and/or performance of this Agreement shall not trigger the exercise of any Put Option by a shareholder in any of Matrix's Subsidiaries.

4.5.8. Taxes

- 4.5.8.1. Matrix and each of its Subsidiaries have duly and timely paid to the tax authorities all taxes imposed on them or required by law to be withheld at source, for which the final payment date has passed (subject to any extensions granted, if applicable), and have recorded in their financial statements appropriate provisions for tax liabilities for which the final payment date has not yet occurred, including provisions for uncertain tax positions and tax exposures, all in all material respects.
- 4.5.8.2. Matrix and/or any of its Subsidiaries: (1) are not party to any (criminal or administrative) proceedings, investigations, discussions, audits, or claims pending against them by the tax authorities (including appeals); and (2) have not received any written notice, demand, or claim in relation to any tax liabilities or tax payments (beyond what is required under the tax returns submitted by them), nor any written notice regarding the initiation of an investigation, audit, or review by the tax authorities in connection with any violation of tax laws or concerning the existence of tax assessments arising from submitted reports, returns, or deductions, except as detailed in Section 4.5.8.2 of the Matrix Disclosure Schedule. To the best of Matrix's knowledge, no such investigation, audit, or review is being conducted by the tax authorities.
- 4.5.8.3. Subject to the fulfillment of the Conditions Precedent, the execution and performance of this Agreement do not violate any conditions in the approvals received by Matrix and its Subsidiaries from the tax authorities and do not result in the imposition of any tax liability on Matrix or its Subsidiaries.

- 4.5.8.4. To the best of Matrix's knowledge, Matrix and/or each of its Israeli subsidiaries have duly reported, in their tax returns over the past seven years, transactions as specified in Section 131(g) of the Ordinance and in the Income Tax Regulations (Reportable Tax Planning), 5767–2006, promulgated thereunder, if and to the extent such transactions were carried out by them. Matrix and/or each of its subsidiaries have duly reported, in their tax returns over the past seven years, opinions as defined in Section 131D(a) of the Ordinance, if and to the extent such opinions were received by them.
- 4.5.8.5. Except as detailed in **Section 4.5.8.5** of the Matrix Disclosure Schedule, Matrix and/or any of its Subsidiaries do not enjoy any tax benefits, including reduced tax rates, grants, subsidies, deferred tax arrangements, or similar benefits. Matrix and/or any of its Subsidiaries are not "Approved Enterprises," "Benefited Enterprises," "Preferred Enterprises," "Technology Enterprises," or "Preferred Technology Enterprises," as such terms are defined in the Law for the Encouragement of Capital Investments, 5719–1959, and have not received any grant from any governmental body.
- 4.5.9. Legal Proceedings
- 4.5.9.1. Matrix is not aware of any investigation or other administrative proceeding concerning the compliance of Matrix and/or its Held Subsidiaries with applicable law, and no written notice has been received from any governmental or administrative authority regarding an intention to initiate any such investigation or administrative proceeding, including the imposition of monetary sanctions, except for any such investigation or proceeding (including monetary sanctions) that has not caused and is not reasonably expected to cause a non-negligible adverse effect on the operations of Matrix (on a consolidated basis), its financial condition, or its results.
- 4.5.9.2. Except as detailed in **Section 4.5.9.2** of the Matrix Disclosure Schedule, there are no claims, legal proceedings (criminal or civil), or quasi-judicial proceedings (including administrative proceedings, hearings, arbitration, mediation, or conciliation), whether in Israel or abroad, pending against Matrix or its Investee Companies, that would materially affect the operations, financial condition, or results of Matrix (on a consolidated basis), and Matrix is not aware of any intention to initiate any such proceedings.

- 4.5.9.3. Matrix is not in violation of any judgment, decree, or decision of any competent court and/or governmental and/or municipal authority rendered against Matrix that would materially adversely affect its business.

4.5.10. Intellectual Property

- 4.5.10.1. Matrix and/or its Subsidiaries are the owners and exclusive right holders, or hold valid authorizations (including by agreement) from the right holders, in all Intellectual Property used by them and required for the conduct of their current and future business operations, in all material respects. The rights of Matrix and/or its Subsidiaries in such Intellectual Property are free and clear, subject to the terms of the agreements governing such rights, and Matrix and its Subsidiaries comply, in all material respects, with the relevant terms of such agreements.
- 4.5.10.2. All registered Intellectual Property of Matrix and/or its Subsidiaries, which is not in application status, is valid and in force. All required actions for its registration or maintenance have been duly taken, and all required payments to any competent authority have been duly made. Matrix is not aware of any third party that has initiated proceedings challenging or contesting the rights of Matrix and/or its Subsidiaries in such registered Intellectual Property.
- 4.5.10.3. Matrix and its Subsidiaries take reasonable measures to protect the confidentiality, secrecy, and value of all their Intellectual Property rights and trade secrets (including, without limitation, their source code).
- 4.5.10.4. Matrix and its Subsidiaries do not use open-source licenses in a manner that requires or may require the subjection of any of their Intellectual Property rights to copyleft licenses, the free distribution of any of their Intellectual Property, or the obligation to grant third parties free access to any of their Intellectual Property rights.
- 4.5.10.5. To the best of Matrix's knowledge, neither Matrix nor any of its Subsidiaries infringes the Intellectual Property rights of any third party. Matrix is not aware of any third party claiming that Matrix and/or its Subsidiaries infringe the Intellectual Property rights of any such third party, and Matrix and/or its Subsidiaries have not, during the three years preceding the date of this Agreement, received any written warning letters and/or claims from any third party alleging infringement of such Intellectual Property rights by Matrix and/or its Subsidiaries.

- 4.5.10.6. Matrix is not aware of any third party infringing the Intellectual Property rights of Matrix and/or its Subsidiaries.
- 4.5.10.7. All employees and service providers who have contributed to the development of the Intellectual Property of Matrix and/or its Subsidiaries have executed assignment agreements granting all Intellectual Property rights in the work products or services (as applicable) of such individuals to Matrix and/or its Subsidiaries. No third party (including, in particular, universities, research institutes, governmental authorities, etc.) holds any rights in the Intellectual Property of Matrix and its Subsidiaries, and Matrix and/or its Subsidiaries do not own any jointly held Intellectual Property with any third party.
- 4.5.10.8. To the best of Matrix's knowledge, neither Matrix nor any of its Material Subsidiaries is obligated, under any law and/or agreement, to pay any royalties or other payments to any third party for the use of any third party's Intellectual Property rights (other than immaterial payments for standard off-the-shelf software).
- 4.5.10.9. The execution of this Agreement and the transactions contemplated herein will not result in the loss of any Intellectual Property rights of Matrix and/or its Subsidiaries, nor will they create any payment obligations toward any governmental authority in connection with such Intellectual Property.

4.5.11. Employees

- 4.5.11.1. **Section 4.5.11.1** of the Matrix Disclosure Schedule includes details of the full terms of employment of each of the five most highly compensated officeholders among the senior officers of Matrix or of a corporation under its control, as well as of each of the three most highly compensated senior officers of Matrix itself. For this purpose, "**Senior Officer**" means a Chief Executive Officer, Chief Operating Officer, Deputy Chief Executive Officer, Vice President, Accountant, Director, any person performing one of the above functions even if his title differs, and a manager directly subordinate to the Chief Executive Officer.
- 4.5.11.2. Except as detailed in **Section 4.5.11.2** of the Matrix Disclosure Schedule, Matrix and its Subsidiaries have complied with all material obligations imposed on them under any applicable law, including the law applicable at the place of employment, in connection with the employment of their employees. Without derogating from the generality of the foregoing, where a license, permit, or visa is required by law for the employment of any of the employees or service providers of Matrix and/or its Subsidiaries, such authorization has been duly obtained in accordance with law.

- 4.5.11.3. All payments that Matrix and its Subsidiaries are obligated to pay to employees under any applicable law, including the law applicable at the place of employment, have been fully paid and/or deposited on time as required. This includes, without limitation, severance pay, recuperation pay, and accrued vacation pay, all of which have been fully provided for and/or paid in accordance with generally accepted accounting principles in their financial statements and/or fully deposited in the applicable arrangements. All amounts that Matrix and/or its Subsidiaries are required, under any applicable law or agreement, to deduct from employees' wages or from any other compensation or benefit and to pay to authorities (including pension arrangements in accordance with law), and for which the due date has passed, have been deducted, deposited, transferred, and/or paid, and Matrix and its Subsidiaries have no material liability in this regard (except for routine deductions, transfers, deposits, and payments to be made in due course and in the ordinary course of business, consistent with past practice).
- 4.5.11.4. Other than as set forth in **Section 4.5.11.4** of the Matrix Disclosure Schedule, Matrix and its Subsidiaries are not party to any collective agreement or arrangement and/or subject to any extension order, and have no agreement or arrangement with any labor union. As of the date of execution of this Agreement, there is no employees' organization or works council operating in Matrix or its Subsidiaries. Matrix is not aware of any labor organization activity or proceedings aimed at organizing employees of Matrix and/or its Subsidiaries, and during the three years preceding the date of execution of this Agreement, there have been no labor organization activities or attempts in Matrix or its Subsidiaries. As of this date, Matrix is not a member of any employers' association and has not received any request or demand from any employers' association during the three years preceding the date of execution of this Agreement. During the three years preceding the date of execution of this Agreement, there have been no strikes, work stoppages, slowdowns, lockouts, or sanctions resulting from employee organization activities at Matrix or its Subsidiaries.
- 4.5.11.5. Except as detailed in **Section 4.5.11.5** of the Matrix Disclosure Schedule, Matrix and its Subsidiaries are not in material breach and comply, in all material respects, with all applicable laws, including those applicable at the place of employment, or any agreement applicable to contractors, subcontractors, and service providers engaged by them (collectively: the "**Service Providers**"). To the best of Matrix's knowledge, there are no claims by Matrix or its Subsidiaries against any Service Providers, nor any claims by any Service Providers against Matrix or its Subsidiaries, regarding any material breach of the agreement or engagement between the parties and/or regarding the existence of employment relationships between such Service Providers and Matrix and/or its Subsidiaries, or concerning the proper classification of Service Providers as independent contractors. Matrix and/or its Subsidiaries are not aware of any Service Provider, past or present, who has made, or intends to make, any demand and/or claim and/or file a lawsuit regarding the existence of employment relations between them and Matrix and/or its Subsidiaries.

4.5.11.6. Except as detailed in **Section 4.5.11.6** of the Matrix Disclosure Schedule, the execution and implementation of this Agreement (including all of its appendices) will not: (a) cause Matrix or any of its Subsidiaries to pay any bonus and/or any other material one-time payment to employees or Service Providers; or (b) result in an increase in the value of any material benefit that Matrix or any of its Subsidiaries is required to pay to employees or Service Providers; or (c) cause an acceleration in the payment dates or vesting dates of any material benefit to the employees or Service Providers of Matrix or its Subsidiaries.

4.5.11.7. Except as stated in **Section 4.5.11.7** of the Matrix Disclosure Schedule: (a) There are no pending legal or arbitration proceedings and/or demand letters against Matrix or its Subsidiaries relating to employment relations between the companies and their employees that have had or are reasonably expected to have a non-negligible adverse effect on the operations of Matrix (at the Matrix group level); (b) Matrix is not aware of any ongoing audits and/or investigations against Matrix or its Subsidiaries relating to employment relations between the companies and their employees that have had or are reasonably expected to have a non-negligible adverse effect on the operations of Matrix (at the Matrix group level); (c) There are no claims, and there have not been any claims, for fraud, embezzlement, criminal acts, misconduct, or misuse of funds or assets of Matrix or its Investee Companies by any officer, employee, or Service Provider of Matrix or its Investee Companies, whether currently or during the past three (3) years.

4.5.12. Cyber Events

4.5.12.1. To the best of Matrix's knowledge, during the past two years, no Cyber Event has occurred at Matrix and/or its Subsidiaries, including unauthorized access to information systems, ransomware attacks, data leaks or unauthorized access to information, or any other technological failure that has adversely affected the operations of Matrix and/or its Subsidiaries, their reputation, assets, liabilities, and/or their compliance with any material legal requirements applicable to them.

4.5.12.2. Matrix is not aware of any material breach, failure, or damage to the systems and/or IT infrastructure of Matrix and/or its Subsidiaries that has not been remedied, and neither Matrix nor, to the best of Matrix's knowledge, its Subsidiaries, have received any demand, complaint, or communication from any third party in connection with an information security breach, privacy violation, or data leak resulting from a Cyber Event.

4.5.12.3. Matrix and its Material Subsidiaries take all necessary measures to reduce the risk of Cyber Events, in accordance with market standards applicable to public companies of the size and business scope of Matrix.

4.5.13. Financing Agreements

- 4.5.13.1. The Financing Agreements to which Matrix and/or any of its Subsidiaries are a party are valid, binding, and being duly performed by all parties thereto. Matrix and/or its Material Subsidiaries are not in material breach of any such Financing Agreements and/or in Default thereunder, and no lender has claimed any such breach or Default, nor has any event or circumstance occurred which, with notice or the passage of time or both, would constitute a breach or Default under such agreements. Except as detailed in **Section 4.5.13.1** of the Matrix Disclosure Schedule, the execution of this Agreement and the consummation of the transactions contemplated herein will not result in a breach of, or constitute a Default under, any Financing Agreement to which Matrix and/or any of its Subsidiaries is a party, nor will they trigger any right of the borrower, lender, or any third party under such Financing Agreement to accelerate any indebtedness, realize any security, require additional collateral, or amend the terms thereof.
- 4.5.13.2. Except as detailed in **Section 4.5.13.2** of the Matrix Disclosure Schedule, the execution and consummation of this Agreement and the transactions contemplated herein do not require the consent or waiver of any lender or financing party of Matrix and/or its Subsidiaries.

For the purposes of this Section 4.5.13, the term “**Financing Agreement**” means any type of financing agreement, including loans, credit facilities, hedging transactions, and guarantees, to which Matrix and/or its Subsidiaries are a party, including any agreement granting the financing entity a lien or other form of security interest over the assets of Matrix and/or its Subsidiaries, but excluding intercompany agreements within the Matrix Group with wholly owned Subsidiaries of Matrix.

4.5.14. Due Diligence

Without derogating from the representations contained in this Agreement, Matrix confirms that it is entering into this Agreement after conducting a due diligence review to its satisfaction regarding Magic and its Subsidiaries, based on data and documents made available to it by Magic, and after consulting with such external advisors and experts as it deemed appropriate, and has found the transaction suitable to its needs.

4.5.15. Validity of Representations

- 4.5.15.1. Matrix acknowledges that Magic is entering into this Agreement in reliance upon Matrix’s representations and undertakings set forth in this Section 4.5.
- 4.5.15.2. Except for the representations and warranties expressly made by Matrix in this Agreement, no other representations or warranties, express or implied, have been made by Matrix to Magic.
- 4.5.15.3. All representations and warranties of Matrix set forth in Sections 4.3 and 4.5 of this Agreement shall automatically expire and be terminated immediately upon the Closing Date, and following the Closing Date, Magic shall have no claim or demand against Matrix and/or its officers and/or any of its representatives in respect of any inaccuracy in such representations, in whole or in part.

5. **Execution of the Merger Transaction**

- 5.1. Shortly after the execution of this Agreement, and no later than 14 days following the date of its execution, each of Matrix and Magic shall publish a notice convening a special meeting of their respective shareholders for the purpose of approving the Merger Transaction in accordance with the provisions of the Companies Law (including Sections 270(4) and 275 of the Companies Law). The notice convening the meeting of Matrix shall also comply with the provisions of the General Meeting Regulations and the Regulations on Transactions with a Controlling Shareholder. In addition, Matrix shall file with the U.S. Securities and Exchange Commission a prospectus for the public offering of its shares in accordance with U.S. securities laws (by means of Form F-4 or, alternatively, if exempted from such registration, by means of furnishing or filing a Form CB and Form F-X on EDGAR, or any equivalent document).
- 5.2. Within three (3) days of the convening of the Magic shareholders meeting for approval of the Merger as described above, each of the merging companies shall file a Merger Proposal with the Registrar of Companies as required under Section 317 of the Companies Law and the Merger Regulations, in the form attached hereto as **Appendix 5.2**.
- 5.3. Upon fulfillment of the Conditions Precedent and upon the Merger taking effect, Merger Sub shall merge with and into Magic, such that all of Merger Sub's operations, assets, and liabilities shall be transferred to Magic. As a result, Merger Sub shall be dissolved and deleted from the records of the Registrar of Companies in accordance with Section 323 of the Companies Law, and Magic shall become a private company wholly owned by Matrix, against the issuance of the Merger Consideration to Magic's shareholders as provided in this Agreement.
- 5.4. The parties shall act and cooperate with each other to comply with all applicable laws in connection with the Merger Transaction, including executing all documents, publishing all notices, and submitting all filings, including notices to the Registrar of Companies regarding the resolutions of the general meetings of the merging companies and the delivery of notices to creditors and employees (as required), all in accordance with the provisions of the Companies Law and the Merger Regulations. Without prejudice to the generality of the foregoing, each party to this Agreement shall: (a) deliver and file all documents, notices, applications, reports, and any other document that such party is required to deliver or file by law or under this Agreement in order to complete the Merger Transaction in accordance with this Agreement; (b) use its reasonable commercial efforts to obtain any consent, approval, or permit required by law or this Agreement in order to complete the transaction in accordance with this Agreement; and (c) use its reasonable commercial efforts to cause the cancellation of any injunction or other order preventing the completion of the Merger Transaction.

- 5.5. On the Closing Date, each eligible shareholder shall be entitled to receive the Merger Consideration in exchange for the Magic shares held by them, in accordance with the provisions of Section 3.1 above.
- 5.6. Tax Ruling. Magic and Matrix, through their respective tax advisors, have prepared and submitted to the Israel Tax Authority a request for a tax ruling (pre-ruling) confirming that the share exchange (and payment of the Merger Consideration) under this Agreement shall be exempt from tax in Israel in accordance with Section 103t of the Income Tax Ordinance. The parties shall act and cooperate to obtain the tax ruling as soon as possible. Magic and Matrix undertake to notify each other of any meeting and/or call between their representatives and the Tax Authority regarding the tax ruling and to allow the tax advisors of the other party to participate in such meetings/calls. Receipt of the approval of the Tax Authority shall be a Condition Precedent as set forth in Section 7.1.3.4 below and in accordance with its terms. Each party undertakes to comply with the conditions that may apply to it under the tax ruling, even after the Closing Date, to ensure the preservation of the tax benefit in the Merger for the shareholders of Magic.

6. **Actions and Undertakings of the Parties During the Interim Period**

- 6.1. During the Interim Period, the parties shall act as follows:
- 6.1.1. Subject to applicable law, the business of each of the parties and of the companies under their control shall be conducted in the ordinary course of business, so that no changes shall occur that are outside the ordinary course of business, and no actions or undertakings shall be made that may materially adversely affect the assets, business, or financial condition of either party or of the companies under their control, or the ability of the parties to complete the transaction in accordance with this Agreement.
- 6.1.2. No later than five (5) business days prior to the Matrix general meeting (or another time as coordinated with the Israel Securities Authority) convened for the purpose of approving the Merger Transaction pursuant to Section 5 above, Matrix shall publish the Shelf Offering Report, as defined in Section 1.3 above, for the purpose of issuing the Consideration Shares.
- 6.1.3. Matrix and Magic undertake to update one another regarding any material claim and/or legal proceeding filed against them or against companies under their control during the Interim Period, and, subject to applicable law, regarding any investigation and/or inquiry initiated by any administrative authority in relation to them or to companies under their control during the Interim Period, as well as any information received by them regarding an intention to initiate such proceedings as described in this Section.

- 6.1.4. During the Interim Period, Matrix and Magic shall be entitled to make Distributions (as such term is defined in the Companies Law) only in accordance with their respective dividend distribution policies as in effect on the date of this Agreement (and for the avoidance of doubt, neither shall distribute more than 75% of their net profit attributable to shareholders). For the avoidance of doubt, any such Distribution shall not affect or alter the Exchange Ratio or the Merger Consideration.
- 6.1.5. During the Interim Period, the parties shall cooperate with each other for the purpose of submitting preliminary merger notifications (Hart-Scott-Rodino Filings) on behalf of each of Matrix and Magic to the U.S. antitrust authorities, in accordance with applicable law, including providing any information or documents required in this regard by law and/or by the U.S. antitrust authorities. The parties undertake to use their best reasonable commercial efforts to ensure that such notifications are submitted within the shortest possible timeframe.
- 6.2. Without derogating from the generality of the foregoing, during the Interim Period, neither party shall perform and/or undertake, whether orally or in writing, to perform any of the actions listed below, and each party shall exercise control over its Subsidiaries to ensure that they do not perform and/or undertake, whether orally or in writing, to perform any of the actions listed below, except as required under this Agreement for the purpose of completing the transaction contemplated herein and satisfying the Conditions Precedent, or as required by law by officers of the parties in order to fulfill their legal duties:
 - 6.2.1. The allotment of shares or securities convertible into shares, the issuance of bonus shares, the consolidation or split of shares, or any similar action, or the issuance of any type of security by Magic or Matrix or by companies under their control, except for the issuance of Matrix shares resulting from the execution of this Agreement and the allotment of Matrix shares upon the exercise of options granted prior to the date of this Agreement, pursuant to their terms.
 - 6.2.2. Any amendment to the memorandum or articles of association of either party or of any company under their control, except for amendments that are technical in nature.
 - 6.2.3. Any investment involving material sums (materiality to be determined at the group level - Magic Group or Matrix Group (i.e., on a consolidated basis), as applicable) by either party or any company under their control, except in the ordinary course of business and consistent with past practice.

- 6.2.4. The incurrence or raising of material debt (materiality to be determined at the group level - Magic Group or Matrix Group (i.e., on a consolidated basis), as applicable), including by way of the issuance of bonds to the public or a private entity, or by taking loans, by either party or by companies under their control. Notwithstanding the foregoing, controlled subsidiaries may incur or raise material debt as aforesaid in the ordinary course of business and consistent with past practice. Furthermore, no material changes shall be made to the terms of existing bonds or material financing agreements.
- 6.2.5. The entry into a material transaction (materiality to be determined at the group level - Magic Group or Matrix Group (i.e., on a consolidated basis), as applicable) by either party or companies under their control, directly or indirectly, with the controlling shareholder of Matrix or Magic (as applicable), or with any other person in which such controlling shareholder has a personal interest, except for the renewal of transactions under existing terms and in accordance with law, provided that written notice thereof is given to the other party.
- 6.2.6. The entry into a material transaction (materiality to be determined at the group level - Magic Group or Matrix Group (i.e., on a consolidated basis), as applicable) by a company under the control of either party with a shareholder thereof (other than Magic or Matrix, as applicable), or with a third party in which such shareholder has a personal interest, except for the renewal of transactions under existing terms and in accordance with law, provided that written notice thereof is given to the other party.
- 6.2.7. The entry into a material transaction (materiality to be determined at the group level - Magic Group or Matrix Group (i.e., on a consolidated basis), as applicable) by either party or any company under its control with an officer thereof, or into a material transaction in which an officer has a personal interest, except for the renewal of transactions under existing terms and in accordance with law, provided that written notice thereof is given to the other party, and except for the payment of bonuses to officers under existing agreements and in the ordinary course of business.
- 6.2.8. The entry into an agreement or the performance of any merger, reorganization, liquidation, dissolution, restructuring, or the filing of a petition for liquidation, appointment of a temporary liquidator, liquidator, receiver, special administrator, or for a creditors' arrangement or stay of proceedings (including under the Insolvency Law), or any similar proceeding, with respect to the party or any company under its control.

- 6.2.9. Any action by a party or a company under its control that is reasonably expected to materially impair or hinder the completion of the transaction, or that is reasonably expected to cause the representations made by that party under Sections 4.2, 4.3, or 4.5 above (as applicable) to become materially inaccurate.
- 6.2.10. Any changes in accounting policies or principles, reporting standards, or tax policies and methods of a party or companies under its control, except as required by law or accounting standards.
- 6.2.11. Any material change in the existing lines of business of either party or companies under their control, including entering into a new line of business or exiting an existing one.
- 6.2.12. The purchase, sale, transfer, or encumbrance of any business, corporation, or entity that is material at the group level - Magic Group or Matrix Group (i.e., on a consolidated basis), as applicable - by either party or companies under their control.
- 6.2.13. The acquisition by a party or companies under its control of any material assets at the group level - Magic Group or Matrix Group (i.e., on a consolidated basis) as applicable - or the sale, transfer, encumbrance, or other disposition of any material assets at the Magic Group or Matrix Group level (i.e., on a consolidated basis), except in the ordinary course of business and consistent with past practice.
- 6.2.14. Any material increase by a party or companies under its control in salaries, commissions, or fringe benefits (except, with respect to any employee, in the ordinary course of business and consistent with past practice), or the granting of any material compensation, bonus, or other benefit, to any person or entity, other than under existing agreements or in the ordinary course of business, or any payment to any person or entity other than to the parties' advisors in connection with this Agreement and/or the transaction contemplated herein.
- 6.2.15. The declaration or payment of any dividend, or execution of any Distribution (as such term is defined in the Companies Law) by companies under the control of either party that are not wholly owned by it, in an amount exceeding the amount permitted for distribution under the existing dividend distribution policy of such company, or under its articles of association or a contractual obligation (hereinafter jointly in this section: the **"Dividend Distribution Commitment"**) in effect as of the date of this Agreement, and with respect to subsidiaries not wholly owned and that have no Dividend Distribution Commitment - in an amount exceeding the dividend rate customarily distributed by them, consistent with past practice.

6.2.16. Any undertaking, whether oral or written, to perform any of the actions listed in this Section 6.2 above.

- 6.3. In addition to the provisions of Section 6.2 of this Agreement, the parties undertake to continue operating their management headquarters during the Interim Period in the ordinary course of business, while allocating all human resources reasonably required for that purpose.
- 6.4. The parties to this Agreement undertake to act diligently, in cooperation and coordination, in performing and advancing all actions necessary to complete the Merger Transaction, and to execute all documents required to implement the provisions of this Agreement in a timely manner. They shall use their best efforts to obtain all approvals necessary to complete the transaction and to satisfy all Conditions Precedent pursuant to and in accordance with this Agreement, as soon as practicable after its execution. This includes all actions required under U.S. securities laws in connection with the public offering of Matrix shares to Magic's shareholders, the publication of the Shelf Offering Report for the issuance of the Consideration Shares by Matrix, the receipt of approval from the Israel Securities Authority for the publication of the Shelf Offering Report (if required), the receipt of approval from the stock exchange for the listing of the Consideration Shares for trading, and the receipt of a Merger Certificate from the Registrar of Companies. Without derogating from the generality of the foregoing, neither party shall take any action contrary to the undertakings given by it and/or by any of them under this Agreement.
- 6.5. The parties to this Agreement shall cooperate with the stock exchange, NASDAQ, the Israel Securities Authority, the Israel Tax Authority, the U.S. antitrust authorities, and any other competent authority as necessary for the completion of the Merger Transaction. If, as a result of limitations, guidelines, or requirements received from any competent authority, it becomes necessary to make changes to the actions or sequence of actions required to complete the Merger and/or to modify the timelines set for such actions or the Closing Date of the Merger, the parties shall jointly and in good faith agree upon such required changes, without the need to amend this Agreement and/or to obtain any additional approval. Furthermore, where necessary, Matrix shall engage a member of the stock exchange or a trust company to serve as the issuing agent responsible for coordinating the issuance of the Consideration Shares to the shareholders of Magic.
- 6.6. The parties agree that this Agreement shall be presented to governmental authorities or agencies as required by law or by their instructions. The parties undertake to cooperate and to provide all relevant authorities and regulators with any information and documents required in order to obtain all necessary approvals for the consummation of the transaction and the fulfillment of the Conditions Precedent.

- 6.7. During the Interim Period, the parties shall cooperate, submit, and publish all notices and documents required for the execution of the Merger in accordance with the Companies Law and the Companies Regulations (Merger), 5760–2000, within the timeframes and as required by law.
- 6.8. The parties undertake that during the Interim Period, each party shall promptly notify all other parties in writing immediately upon becoming aware of any material event relating to that party or to companies under its control, which constitutes any of the following (for the avoidance of doubt, such notification shall not derogate from any of the prohibitions, restrictions, or undertakings set forth in this Agreement): (a) an event that deviates or may deviate from the limitations set forth in Section 6.2 above; (b) an event that may reasonably affect the fulfillment of any of the Conditions Precedent and/or the ability of the parties to perform or complete this Agreement; (c) any breach of its undertakings under this Agreement or of any representation or warranty made by it herein that was incorrect as of the date to which it refers or has become incorrect as of the date of the report; (d) any notice received from a third party claiming that its consent is required for the completion of the transaction contemplated herein; (e) any claim, or notice of intent to file a claim, or proceeding initiated in connection with this Agreement or the Merger Transaction. Receipt of such notice shall not constitute a waiver by the other parties of any of their rights under this Agreement, nor shall such notice cure any such breach.
- 6.9. Magic undertakes that during the Interim Period, it shall act diligently and thoroughly and shall continue formulating and implementing the plan for correcting the Material Weakness (as defined in Section 4.2.5.5 above), in order to ensure that the internal controls are designed and operate effectively so as to identify or prevent material misstatements in its financial statements. Without derogating from the generality of the foregoing, Magic undertakes to act toward the implementation of the internal controls and to perform an initial test of the effectiveness of the manual and automated controls as soon as possible after the signing of this Agreement, and in any event no later than January 15, 2026.
- 6.10. Representations and Warranties Insurance
- 6.10.1. The parties acknowledge that Matrix may enter into a representations and warranties liability insurance policy with an insurer of its choice (the “**Insurer**” and the “**Representations Insurance Policy**,” respectively). Magic, its officers, directors, employees, advisors, service providers, shareholders, or anyone acting on its behalf shall bear no responsibility, undertaking, or liability in connection with the Representations Insurance Policy, its existence, legality, validity, enforceability, scope of coverage (or lack thereof), or with the performance of its terms and provisions by the Insurer and/or Matrix (except that, until the Closing Date, Magic’s management shall cooperate with the Insurer and participate in calls and meetings as may be required by the Insurer and its advisors and shall provide them with information reasonably required for the Insurer’s underwriting and due diligence process). Matrix alone shall bear, after the Closing Date, all costs associated with obtaining the Representations Insurance Policy.

6.10.2. For the avoidance of doubt, it is hereby clarified that nothing in the foregoing shall obligate Matrix to enter into any representations insurance policy, and the decision whether or not to do so shall be at the sole and absolute discretion and responsibility of Matrix. The existence and validity of the Representations Insurance Policy, or any termination, cancellation, or amendment thereof or of any of its terms, shall not constitute a condition for the completion of the Transaction and shall not delay or prevent the completion of the Transaction. Notwithstanding that, as stated in Section 4.2.14.3 of this Agreement, all representations and undertakings of Magic shall expire and automatically terminate immediately upon the Closing Date, if Matrix elects to enter into the Representations Insurance Policy, the representations and undertakings of Magic under this Agreement shall continue to apply solely for the purpose of the Representations Insurance Policy, and the sole, exclusive, and exhaustive remedy of Matrix and Merger Sub for any breach of Magic's representations, statements, and undertakings after completion of the Transaction shall be under the Representations Insurance Policy (as defined above). After the Closing Date, its officers, directors, employees, advisors, service providers, representatives, or shareholders in respect of any inaccuracy of the representations, in whole or in part.

6.10.3. A condition for Matrix's signing of the Representations Insurance Policy shall be that the Representations Insurance Policy include appropriate provisions under which the Insurer agrees to fully and irrevocably waive any and all rights of subrogation, set-off, and counterclaim against Magic, its officers, directors, employees, advisors, service providers, representatives, and shareholders.

6.11. Trustee for Certain Consideration Shares

Subject to applicable law, the notice convening the general meeting to be published by Magic for approval of this Agreement and the Merger Transaction shall also include a *Transmittal Notice* to be signed by Magic shareholders who do not hold their Magic shares through the Nominee Company. The Transmittal Notice shall include the details of the member account of the stock exchange (including any foreign stock exchange member account through which such Magic shares are held) to which the shareholder requests that the Consideration Shares to which he or she is entitled upon completion of the Merger Transaction be credited, as well as any other information required by applicable law.

During the Interim Period, the parties shall enter into a trust agreement with the Trustee for the Certain Consideration Shares, pursuant to which, on the Closing Date, Matrix shall issue to the Trustee for the Certain Consideration Shares the Consideration Shares due to Magic shareholders who do not hold their Magic shares through the Nominee Company and for whom a Transmittal Notice containing stock exchange member account details has not been received (the “**Certain Shareholders**”). The Trustee for the Certain Consideration Shares shall serve as trustee for the Certain Shareholders and, among else, shall transfer to them any dividend amounts to which they are entitled from Matrix and which are paid to the Trustee by Matrix, after deduction of applicable taxes. The Trustee for the Certain Consideration Shares shall not vote the Consideration Shares held by it in trust at any Matrix general meeting. A Certain Shareholder who wishes to vote at a Matrix general meeting after the Closing Date shall be required to provide the Trustee for the Certain Consideration Shares with notice specifying the stock exchange member account details to which the Trustee shall transfer the Consideration Shares held by it in trust for such Certain Shareholder, whereupon the trust with respect to that Certain Shareholder shall terminate.

6.12. No Solicitation by Magic; Competing Acquisition Proposal for Magic

- 6.12.1. During the Interim Period, Magic shall not: (a) initiate, encourage, solicit, or propose to any third party the submission of any Competing Acquisition Proposal for Magic; (b) provide to any third party any information, particularly non-public information, for the purpose of inducing, or which may reasonably be expected to induce, the submission of a Competing Acquisition Proposal for Magic; (c) engage in negotiations, discussions, inquiries, communications, or correspondence regarding any Competing Acquisition Proposal for Magic or in connection therewith; or (d) promote or enter into any memorandum of understanding, term sheet, or agreement relating to a Competing Acquisition Proposal for Magic; all except in response to a written approach initiated by a third party (without solicitation) received by Magic or a company held by it, no later than the actual convening of Magic’s general meeting to approve the Merger Transaction, concerning a Competing Acquisition Proposal for Magic that meets the conditions of Section 6.10.2 below and not resulting from a breach of this Section 6.10.1. Magic shall also cause its controlled companies, directors, officers, employees, representatives, and advisors, as well as any other person acting on its behalf or on behalf of its controlled companies, not to act in violation of this Section 6.10.1.

Any breach of this Section by Magic’s controlled companies, directors, officers, employees, representatives, advisors, or by any other person acting on behalf of Magic or its controlled companies shall constitute a material breach of this Agreement by Magic.

For the purposes hereof, a “**Competing Acquisition Proposal for Magic**” means a transaction or series of related transactions, other than the transaction contemplated by this Agreement, involving: (a) the acquisition of 51% or more of the issued share capital or voting rights of Magic, directly or indirectly, or any transaction as a result of which a third party shall hold, directly or indirectly, 51% or more of the issued share capital or voting rights of Magic, including by way of merger, tender offer, share exchange, arrangement, or otherwise; or (b) the acquisition, sale, or transfer of 51% or more of Magic’s business or assets; or (c) any restructuring, reorganization, dissolution, or similar process relating to Magic; or (d) an allotment by Magic, in one or more issuances, of shares constituting 25% or more of its issued share capital.

6.12.2. Without derogating from Section 6.10.1 above, until the date of Magic’s general meeting convened to approve the Merger Transaction, the Board of Directors of Magic may:

6.12.2.1. Contact any person or representative thereof who has, after the execution of this Agreement, voluntarily (without solicitation) submitted in writing a Competing Acquisition Proposal for Magic (in this Section, the “**Bidder**”), which, after a preliminary review by the Board of Directors of Magic, in consultation with its external legal and financial advisors and considering the Formula Undertaking, appears to constitute a *Superior Proposal* for Magic, provided that such contact is solely for the purpose of clarifying the terms of the Competing Acquisition Proposal for Magic and that such contact is not the result of a breach of Section 6.10.1 above.

6.12.2.2. In the event that a Competing Acquisition Proposal for Magic is received, not as a result of a breach of Section 6.10.1 above, and the Board of Directors of Magic determines in good faith, after consultation with its external legal and financial advisors and considering the Formula Undertaking, that: (a) the Competing Acquisition Proposal for Magic constitutes a Superior Proposal for Magic; and (b) that failure to discuss or negotiate in relation thereto would constitute a breach of the fiduciary duties of the directors of Magic under Israeli law (in this Section, the “**Magic Board Resolution**”); then (and only then) the Board of Directors of Magic shall be entitled to: (i) participate in discussions or negotiations with the Bidder and/or its representatives regarding the Competing Acquisition Proposal for Magic; and (ii) provide the Bidder with non-public information regarding Magic and its investee entities and permit access to Magic, its management, facilities, and books, subject to the Bidder and its representatives signing customary confidentiality agreements.

- 6.12.2.3. Magic shall: (a) promptly after the Magic Board Resolution (and no later than two (2) business days thereafter), deliver written notice to Matrix stating that a Competing Acquisition Proposal for Magic has been received, specifying the identity of the Bidder, the material terms of the Competing Acquisition Proposal for Magic, and the intention of Magic's Board of Directors to engage in discussions or negotiations with the Bidder and/or to provide it with non-public information; and (b) subject to applicable law, provide to Matrix or its representatives all non-public information provided by Magic to the Bidder that has not already been provided to Matrix, immediately after such information is provided to the Bidder.
- 6.12.2.4. Without derogating from the generality of this Section 6.10, within no later than two (2) Business Days from the date Magic receives a Competing Acquisition Proposal for Magic or any request for information or other inquiry that could reasonably lead to a Competing Acquisition Proposal for Magic, Magic shall provide Matrix with the details of such proposal or inquiry and the identity of the proposing or inquiring entity. Magic shall also reasonably update Matrix or its representatives on the terms and status of any such inquiry or proposal, and in any case within no more than two (2) Business Days of any material change or development in the terms or status thereof. Magic shall not enter into any agreement that would restrict its ability to provide Matrix or its representatives with the details specified in Sections 6.10.2.3 and 6.10.2.4, and as of the date of this Agreement, Magic is not a party to any agreement, existing or potential, with any Bidder or inquiring party that conflicts with its obligations under this Section 6.10.
- 6.12.2.5. Notwithstanding the foregoing, if prior to the actual convening of Magic's general meeting for approval of the Merger Transaction, the Board of Directors of Magic determines that a Competing Acquisition Proposal for Magic, which was received not as a result of a breach of this Section 6.10, constitutes a *Superior Proposal* for Magic, then, and only in such a case, the Board of Directors of Magic shall be entitled to: (a) publicly withdraw the resolution of the Board of Directors of Magic approving the transaction contemplated by this Agreement; and (b) approve, recommend, or support the Superior Proposal for Magic (a "**Modified Magic Board Resolution**").

6.12.2.6. For the purpose of this Section 6.10, a “**Superior Proposal for Magic**” means a Competing Acquisition Proposal for Magic which the Board of Directors of Magic has determined in good faith, after consultation with its external legal and financial advisors, and after taking into account all legal, financial, regulatory, and timing aspects of both the Competing Acquisition Proposal for Magic and the transaction contemplated by this Agreement, and all other relevant considerations, including the Formula Undertaking and the likelihood of completion of the Competing Acquisition Proposal for Magic, to be superior to the transaction contemplated by this Agreement from the perspective of Magic’s shareholders (in their capacity as such), even after taking into account the payment of the Termination Fee (as defined below) by Magic in the event of termination of this Agreement.

6.12.3. The Board of Directors of Magic shall not adopt such a Modified Magic Board Resolution unless: (i) Magic has provided Matrix with written notice from the Board of Directors of Magic at least five (5) Business Days in advance of its intention to adopt a Modified Magic Board Resolution and to terminate this Agreement as a result of receiving a Superior Proposal for Magic, enclosing a copy of the terms of such Superior Proposal for Magic (the “**Modification Notice**”); (ii) during a period of seven (7) Business Days following the Modification Notice (the “**Negotiation Period**”), Matrix shall be entitled to negotiate with Magic regarding amendments to the terms of this Agreement, and in such case, the parties shall negotiate in good faith concerning the proposed amendments, and Magic shall, if necessary, postpone the convening date of the general meeting for approval of the transaction under this Agreement by such seven Business Days; and (iii) at the end of the Negotiation Period, Matrix has not delivered to Magic an updated offer, or has delivered a binding and unconditional offer to amend the terms of this Agreement, and the Board of Directors of Magic has determined in good faith, after consultation with its external legal and financial advisors, and after considering the terms of Matrix’s updated offer and taking into account all legal, financial, regulatory, and timing aspects of the Competing Acquisition Proposal for Magic and Matrix’s updated offer for the transaction contemplated by this Agreement, and all other relevant aspects, including the Formula Undertaking and the likelihood of completion of the Competing Acquisition Proposal for Magic, that the Competing Acquisition Proposal for Magic remains a Superior Proposal for Magic as compared to Matrix’s updated offer (for the avoidance of doubt, Matrix shall not be obligated to amend this Agreement or its offer).

It is clarified that the provisions of this Section 6.10, including Magic’s obligations to provide the Modification Notice and to negotiate in good faith with Matrix, shall apply equally to any amendment to a Competing Acquisition Proposal for Magic.

Magic shall not, and shall cause each of its controlled companies not to, enter into any agreement for a Competing Acquisition Proposal for Magic unless this Agreement has been terminated in accordance with the provisions of Section 11.3 below and Magic has paid Matrix the Termination Fee (as defined in Section 6.10.4 below).

- 6.12.4. In the event that the Board of Directors of Magic adopts a Modified Magic Board Resolution, it shall cause Magic to terminate this Agreement in accordance with Section 11.3 below, and Magic shall pay Matrix a total amount of NIS thirty five (35) million (in this Section 6.10, the “**Termination Fee**”), whether or not Magic actually enters into a transaction pursuant to the Superior Proposal for Magic, and whether or not such transaction is completed. The Termination Fee shall be paid within seven (7) Business Days from the date of the Modified Magic Board Resolution. For the avoidance of doubt, the Termination Fee shall constitute the agreed and final compensation to Matrix in the event that termination or non-completion of the transaction contemplated by this Agreement arises from the circumstances described in this Section.
- 6.12.5. The parties agree that the Termination Fee does not constitute a penalty or punitive damages but rather represents a reasonable and agreed payment in respect of the parties’ entry into this Agreement, their expenses incurred in connection therewith, their expectation of completion of the transaction, and their contribution to the merger process.
- 6.13. No Solicitation by Matrix; Competing Acquisition Proposal for Matrix
- 6.13.1. During the Interim Period, Matrix shall not: (a) initiate, encourage, solicit, or propose to any third party the submission of any Competing Acquisition Proposal for Matrix; (b) provide to any third party any information, particularly non-public information, for the purpose of inducing, or which may reasonably be expected to induce, the submission of a Competing Acquisition Proposal for Matrix; (c) engage in negotiations, discussions, inquiries, communications, or correspondence regarding any Competing Acquisition Proposal for Matrix or in connection therewith; or (d) promote or enter into any memorandum of understanding, term sheet, or agreement relating to a Competing Acquisition Proposal for Matrix; all *except* in response to a written approach initiated by a third party (without solicitation) received by Matrix or by a company held by it, no later than the actual convening of Matrix’s general meeting to approve the Merger Transaction, concerning a Competing Acquisition Proposal for Matrix that meets the conditions of Section 6.11.2 below and not resulting from a breach of this Section 6.11.1. Matrix shall also cause its controlled companies, directors, officers, employees, representatives, and advisors, as well as any other person acting on its behalf or on behalf of its controlled companies, not to act in violation of this Section 6.11.1.
- Any breach of this Section by Matrix’s controlled companies, directors, officers, employees, representatives, advisors, or by any other person acting on behalf of Matrix or its controlled companies shall constitute a material breach of this Agreement by Matrix.

- 6.13.2. For the purposes hereof, a “**Competing Acquisition Proposal for Matrix**” means a transaction or series of related transactions pursuant to which Matrix would become a private company and/or be delisted from trading on the stock exchange.

Without derogating from the foregoing in Section 6.11.1 above, until the date of Matrix’s general meeting convened to approve the Merger Transaction, the Board of Directors of Matrix may:

- 6.13.2.1. Contact any person or representative thereof who has, after the execution of this Agreement, voluntarily (without solicitation) submitted in writing a Competing Acquisition Proposal for Matrix (in this Section, the “**Bidder**”), which, after a preliminary review by the Board of Directors of Matrix, in consultation with its external legal and financial advisors and considering the Formula Undertaking, appears to constitute a *Superior Proposal for Matrix*, provided that such contact is solely for the purpose of clarifying the terms of the Competing Acquisition Proposal for Matrix and that such contact is not the result of a breach of Section 6.11.1 above.
- 6.13.2.2. In the event that a Competing Acquisition Proposal for Matrix is received, not as a result of a breach of Section 6.11.1 above, and the Board of Directors of Matrix determines in good faith, after consultation with its external legal and financial advisors and considering the Formula Undertaking, that: (a) the Competing Acquisition Proposal for Matrix constitutes a Superior Proposal for Matrix; and (b) that failure to discuss or negotiate in relation thereto would constitute a breach of the fiduciary duties of the directors of Matrix under Israeli law (in this Section, the “**Matrix Board Resolution**”); then (and only then) the Board of Directors of Matrix shall be entitled to: (i) participate in discussions or negotiations with the Bidder and/or its representatives regarding the Competing Acquisition Proposal for Matrix; and (ii) provide the Bidder with non-public information regarding Matrix and its investee entities and permit access to Matrix, its management, facilities, and books, subject to the Bidder and its representatives signing customary confidentiality agreements.

- 6.13.2.3. Matrix shall: (a) promptly after the date of adoption of the Matrix Board Resolution (and no later than two (2) Business Days thereafter), deliver written notice to Magic regarding the receipt of a Competing Acquisition Proposal for Matrix, specifying the identity of the Bidder, the material terms of the Competing Acquisition Proposal for Matrix, and the intention of Matrix's Board of Directors to engage in discussions or negotiations with the Bidder and/or to provide it with non-public information; and (b) subject to applicable law, provide to Magic or its representatives all non-public information that Matrix provides to the Bidder and has not yet provided to Magic, immediately after such information is provided to the Bidder.
- 6.13.2.4. Without derogating from the generality of this Section 6.11, within no later than two (2) Business Days from the date on which Matrix receives a Competing Acquisition Proposal for Matrix, or any request for information or other inquiry that could reasonably lead to such a proposal, Matrix shall provide Magic with the details of such proposal or inquiry and the identity of the proposing or inquiring entity. Matrix shall also reasonably update Magic or its representatives on the terms and status of any such inquiry or proposal, and in any case within no more than two (2) Business Days of any material change or development in the terms or status thereof. Matrix shall not enter into any agreement that would restrict its ability to provide Magic or its representatives with the details specified in Sections 6.11.2.3 and 6.11.2.4, and as of the date of this Agreement, Matrix is not a party to any agreement, existing or potential, with any Bidder or inquiring party that conflicts with its obligations under this Section 6.11.
- 6.13.2.5. Notwithstanding the foregoing, if prior to the actual convening of Matrix's shareholders meeting for approval of the Merger Transaction, the Board of Directors of Matrix determines that a Competing Acquisition Proposal for Matrix, which was received not as a result of a breach of this Section 6.11, constitutes a *Superior Proposal for Matrix*, then, and only in such a case, the Board of Directors of Matrix shall be entitled to: (a) publicly withdraw the Matrix Board Resolution approving the transaction contemplated by this Agreement; and (b) approve, recommend, or support the Superior Proposal for Matrix (a "**Modified Matrix Board Resolution**").
- 6.13.2.6. For the purpose of this Section 6.11, a "**Superior Proposal for Matrix**" means a Competing Acquisition Proposal for Matrix which the Board of Directors of Matrix has determined in good faith, after consultation with its external legal and financial advisors, and after taking into account all legal, financial, regulatory, and timing aspects of both the Competing Acquisition Proposal for Matrix and the transaction contemplated by this Agreement, and all other relevant considerations, including the Formula Undertaking and the likelihood of completion of the Competing Acquisition Proposal for Matrix, to be superior to the transaction contemplated by this Agreement from the perspective of Matrix's shareholders (in their capacity as such), even after taking into account the payment of the Termination Fee (as defined below) by Matrix in the event of termination of this Agreement.

- 6.13.3. The Board of Directors of Matrix shall not adopt a Modified Matrix Board Resolution unless: (i) Matrix has provided Magic with written notice from the Board of Directors of Matrix at least five (5) Business Days in advance of its intention to adopt a Modified Matrix Board Resolution and to terminate this Agreement as a result of receiving a Superior Proposal for Matrix, enclosing a copy of the terms of such Superior Proposal for Matrix (the “**Modification Notice**”); (ii) during a period of seven (7) Business Days following the Modification Notice (the “**Negotiation Period**”), Magic shall be entitled to negotiate with Matrix regarding amendments to the terms of this Agreement, and in such case, the parties shall negotiate in good faith concerning the proposed amendments, and Matrix shall, if necessary, postpone the convening date of the general meeting for approval of the transaction under this Agreement by such seven Business Days; and (iii) at the end of the Negotiation Period, Magic has not delivered to Matrix an updated offer, or has delivered a binding and unconditional offer to amend the terms of this Agreement, and the Board of Directors of Matrix has determined in good faith, after consultation with its external legal and financial advisors, and after considering the terms of Magic’s updated offer and taking into account all legal, financial, regulatory, and timing aspects of the Competing Acquisition Proposal for Matrix and Magic’s updated offer for the transaction contemplated by this Agreement, and all other relevant aspects, including the Formula Undertaking and the likelihood of completion of the Competing Acquisition Proposal for Matrix, that the Competing Acquisition Proposal for Matrix remains a Superior Proposal for Matrix as compared to Magic’s updated offer (for the avoidance of doubt, Magic shall not be obligated to amend this Agreement or its offer).

It is clarified that the provisions of this Section 6.11, including Matrix’s obligations to provide the Change Notice and to negotiate in good faith with Magic, shall apply equally to any amendment to a Competing Acquisition Proposal for Matrix.

Matrix shall not, and shall cause each of its controlled companies not to, enter into any agreement for a Competing Acquisition Proposal for Matrix unless this Agreement has been terminated in accordance with the provisions of Section 11.4 below and Matrix has paid Magic the Termination Fee (as defined in Section 6.11.4 below).

- 6.13.4. In the event that the Board of Directors of Matrix adopts a Modified Matrix Board Resolution, it shall cause Matrix to terminate this Agreement in accordance with Section 11.4 below, and Matrix shall pay Magic a total amount of NIS thirty-five (35) million (in this Section 6.11, the “**Termination Fee**”), whether or not Matrix actually enters into a transaction pursuant to the Superior Proposal for Matrix, and whether or not such transaction is completed. The Termination Fee shall be paid within seven (7) Business Days from the date of the Modified Matrix Board Resolution. For the avoidance of doubt, the Termination Fee shall constitute the agreed and final compensation to Magic in the event that termination or non-completion of the transaction contemplated by this Agreement arises from the circumstances described in this Section.
- 6.13.5. The parties agree that the Termination Fee does not constitute a penalty or punitive damages but rather represents a reasonable and agreed payment in respect of the parties’ entry into this Agreement, their expenses incurred in connection therewith, their expectation of completion of the transaction, and their contribution to the merger process.

7. **Conditions Precedent**

7.1. The obligations of the parties to complete the transaction shall be subject to the fulfillment of each of the following Conditions Precedent:

7.1.1. **Conditions Precedent to Completion of the Transaction by Magic**

Magic's obligation to complete the transaction under this Agreement shall be subject to the fulfillment, prior to or on the Closing Date, of each of the following conditions (any or all of which Magic may waive, in whole or in part, at its sole discretion and exclusive responsibility):

- 7.1.1.1. The representations made by Matrix and Merger Sub under Sections 4.3 and 4.5 of this Agreement shall be true and correct in all material respects also as of the Closing Date (other than representations and warranties that are expressly stated to relate to a specific date, which shall be true and correct only as of such specified date);
- 7.1.1.2. Merger Sub and Matrix shall not have breached any of their material obligations under this Agreement, provided that if such breach is capable of being cured, it has not been cured following written notice to Matrix and/or Merger Sub (as applicable), allowing a period of not less than 14 days to cure the breach (and if the period between the date of such notice and the Closing Date is less than 14 days, the Closing Date shall be deferred until the earlier of the date the breach is cured or the expiration of the said 14 days);
- 7.1.1.3. From the date of execution of this Agreement until the later of: (a) the date of the convening of the general meeting of Matrix and Magic (the later of the two), and (b) subject to the parties' agreement regarding the occurrence of a Material Adverse Change – the date of receipt of the last of the regulatory approvals required for the completion of the Transaction, excluding the receipt of the Merger Certificate from the Registrar of Companies, no Material Adverse Change has occurred with respect to Matrix and/or Merger Sub.;

7.1.2. **Conditions Precedent to Completion of the Transaction by Matrix and Merger Sub**

The obligations of Matrix and Merger Sub to complete the transaction under this Agreement shall be subject to the fulfillment, prior to or on the Closing Date, of each of the following conditions (any or all of which Matrix and Merger Sub may waive, in whole or in part, at their sole discretion and exclusive responsibility):

- 7.1.2.1. The representations made by Magic under Section 4.3 of this Agreement shall be true and correct in all material respects also as of the Closing Date (other than representations and warranties that are expressly stated to relate to a specific date, which shall be true and correct only as of such specified date);
- 7.1.2.2. Magic shall not have breached any of its material obligations under this Agreement, provided that if such breach is capable of being cured, it has not been cured following written notice to Magic allowing a period of not less than 14 days to cure the breach (and if the period between the date of such notice and the Closing Date is less than 14 days, the Closing Date shall be deferred until the earlier of the date the breach is cured or the expiration of the said 14 days);
- 7.1.2.3. From the date of execution of this Agreement until the date of fulfillment of the last of the Conditions Precedent to completion of the transaction that are required prior to the Closing Date, no Material Adverse Change shall have occurred with respect to Magic;
- 7.1.2.4. The approvals of the financing institutions, as detailed in Section 4.2.12.2 of Magic's Disclosure Schedule, shall have been obtained.
- 7.1.3. Conditions Precedent to Completion of the Transaction by the Parties

The obligations of the parties to complete the transaction under this Agreement shall be subject to the fulfillment, prior to or on the Closing Date, of each of the following conditions (any or all of which may be waived, in whole or in part, jointly by all parties, at their sole discretion and exclusive responsibility, except for conditions required by law):

 - 7.1.3.1. Approval of the Merger Transaction by the general meeting of Matrix and by the general meeting of Magic by the majority required under Section 275 of the Companies Law;
 - 7.1.3.2. Receipt of the approval of the Stock Exchange for the listing of the Consideration Shares for trade on the Stock Exchange;
 - 7.1.3.3. Receipt of approval from the Israel Securities Authority for the publication of a Shelf Offering Report, if required, and publication by Matrix of a Shelf Offering Report for the issuance of the Consideration Shares;
 - 7.1.3.4. Receipt of a Tax Ruling in a form not materially different from the draft Tax Ruling attached hereto as Appendix 7.1.3.4;

- 7.1.3.5. As of the Closing Date, there shall be no legal impediment of any kind to the completion of the transaction, including no court order preventing completion of the transaction under this Agreement that remains in effect;
- 7.1.3.6. At least thirty (30) days shall have elapsed from the date of the resolution of the general meeting of each of the merging companies, and at least fifty (50) days shall have elapsed from the date on which the Merger notices were delivered to the Registrar of Companies, and the Registrar of Companies shall have issued a certificate pursuant to Section 323(5) of the Companies Law evidencing completion of the merger. It is clarified that the timing of issuance of the Merger Certificate shall be coordinated with the Registrar of Companies in cooperation between the parties, and no party shall apply for issuance of the Merger Certificate without coordination and consent of the other parties;
- 7.1.3.7. The waiting period (and any extension thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as applicable in connection with the Transaction, has expired or been terminated, and no regulatory or judicial authority in the United States has issued any order and/or decision that is in effect and that prohibits, prevents, restricts, or renders the completion of the Transaction illegal;
- 7.1.3.8. The parties shall have entered into a trust agreement with the Trustee of the Certain Consideration Shares, in accordance with the provisions of Section 6.9 above;
- 7.1.3.9. It is clarified that with respect to the regulatory approvals listed in Sections 7.1.3.2 through 7.1.3.3, 7.1.3.4, and 7.1.3.7 (hereinafter: the “**Regulatory Approvals**”), the satisfaction of the condition precedent relating to their receipt means their receipt in a form and/or content that does not impose materially burdensome conditions on any of the parties to this Agreement. If any of the Regulatory Approvals imposes materially burdensome conditions on any of the parties to this Agreement, the parties shall act to remove or reduce such conditions, and if they are unable to do so, the party to whom the Regulatory Approval imposes a materially burdensome condition may notify that the condition precedent of receipt of such Regulatory Approval has not been fulfilled, or may accept the materially burdensome condition contained therein.

- 7.2. Matrix, Magic, and Merger Sub shall take all actions and perform all acts required in order to obtain all approvals and to cause fulfillment of all conditions required for completion of the merger, including filing with the relevant authorities and/or publication of all documents and reports required by law. Without derogating from the foregoing, nothing in this Section shall constitute an undertaking by the parties that the Conditions Precedent shall actually be fulfilled (particularly as they depend on consents and approvals from authorities and third parties), and no party shall be liable to another if, despite its reasonable efforts, a Condition Precedent is not obtained.
- 7.3. Each of the parties shall report to the other parties on an ongoing basis regarding the progress of the Conditions Precedent under its responsibility, including their fulfillment and any difficulty arising in connection therewith or with their attainment.

8. **Completion of the Merger Transaction**

- 8.1. The completion of the Merger Transaction shall take place on the Closing Date, subject to fulfillment of the Conditions Precedent (other than Conditions Precedent that a party entitled to do so has waived). On the Closing Date, the parties shall perform the following actions, which shall be deemed to occur simultaneously for the purpose of completing the Merger Transaction, and no action shall be deemed completed unless all actions listed below have been completed (unless a written waiver has been granted by the party for whose benefit such action was to be performed):
- 8.1.1. Magic and Matrix shall deliver to the parties copies of the approvals of their Audit Committees and Boards of Directors for the Merger Transaction, and Matrix shall also deliver a copy of the approval of the Board of Directors of Merger Sub approving Merger Sub's entry into this Agreement.
- 8.1.2. Magic and Matrix shall deliver to the parties copies of the minutes of their respective general meetings of shareholders approving the Merger Transaction by the required majority as set forth in Section 7.1.3.1 above. In addition, Matrix shall deliver a copy of the minutes of the general meeting of shareholders of Merger Sub evidencing approval of the Merger Transaction by the required majority under applicable law.
- 8.1.3. The Merging Companies and Matrix shall deliver to each other written confirmations that all Conditions Precedent applicable to each of them, as the case may be, have been fully satisfied.
- 8.1.4. Each of the Merging Companies and Matrix shall deliver to each other written confirmation that their respective representations under Section 4 above are true and correct in all material respects as of the Closing Date, as provided in Sections 7.1.1.1 and 7.1.2.1 (except for representations and warranties that are expressly stated to relate to a specific date, which shall be true and correct only as of such specified date).

- 8.1.5. Each of the Merging Companies and Matrix shall deliver to each other written confirmation that all corporate resolutions required by their competent organs for the execution and performance of this Agreement have been duly adopted.
- 8.1.6. Directors' and Officers' Liability Insurance. Magic shall provide confirmation of the existence of a Run-Off Directors' and Officers' Liability Insurance Policy covering events that occurred up to the Closing Date, as detailed in Section 9 below.
- 8.1.7. On the Closing Date, Matrix shall pay the entitled shareholders the Merger Consideration, as follows, all subject to the rules of the Stock Exchange and the by-laws of the Stock Exchange Clearing House:

8.1.7.1. Payment to non-registered holders

With respect to shareholders holding their shares in Magic through the Nominee Company, Matrix shall issue the Consideration Shares to the Nominee Company ("**Consideration Shares of Non-Registered Holders**"). The Consideration Shares of Non-Registered Holders shall be registered in the name of the Nominee Company in the shareholders' register of Matrix.

8.1.7.2. Payment to Registered/Certificated Holders

With respect to Magic shareholders registered in Magic's shareholders' register, Matrix shall issue to them Matrix shares through the Nominee Company (subject to the Nominee Company's consent), against delivery of a Magic share certificate or a duly notarized affidavit confirming that they do not possess a Magic share certificate and undertaking to indemnify Matrix for any damage that may result therefrom, in the same manner as applied to other holders ("**Consideration Shares of Registered Holders**"). Such Registered Holders shall provide their details (broker account and any other information required) prior to the issuance of the Consideration Shares of Registered Holders.

Matrix shall reserve in its registered share capital, for a period of seven years, Consideration Shares for any Registered Holder who has not provided such details, and shall issue to such holder the Merger Consideration due to them upon delivery of the share certificate (or a duly notarized affidavit confirming that they do not possess a Magic share certificate and undertaking to indemnify Matrix for any damage that may result therefrom) and any identification document required at the sole discretion of Matrix and as required by the Nominee Company.

8.1.7.3. Payment to the Certain Shareholders

The Consideration Shares for the Certain Shareholders shall be issued to the Trustee of the Certain Consideration Shares.

In this regard, Matrix shall deliver to Magic the following documents: (a) a copy, stamped “received,” of Matrix’s notice to the Nominee Company regarding the issuance of the Consideration Shares to Magic’s shareholders as set forth above, irrevocably instructing the Nominee Company to credit the Consideration Shares to the securities accounts as specified above; and (b) the Stock Exchange’s approval for listing the Consideration Shares for trading.

- 8.1.8. Magic shall issue a share certificate in the name of Matrix for all Magic shares acquired, register Matrix in Magic’s shareholders’ register as the sole shareholder of all Magic shares, and file all related reports.
- 8.1.9. Matrix shall file all reports required by law in connection with the issuance of the Consideration Shares, including as required under the Securities Law, its regulations, and the Stock Exchange’s directives.
- 8.1.10. Matrix shall deliver to Magic a copy of Matrix’s shareholders’ register, duly signed by its authorized signatories. Magic’s shares shall be delisted from trading on the Stock Exchange and from NASDAQ, and all reporting obligations applicable to Magic shall terminate upon expiration of the period prescribed by Israeli law and by the applicable U.S. law governing a dual-listed company that has been delisted and was reporting in accordance with U.S. disclosure requirements.
- 8.2. In any case where, after the Closing Date, any further action is required to implement the provisions of this Agreement, each party shall reasonably do all that is necessary for such purpose, including executing any document required therefor.
- 8.3. The parties undertake to cooperate with the Stock Exchange, the Stock Exchange Clearing House, and NASDAQ as necessary for the actual execution of the Merger Transaction, including, without limitation, the determination and reporting of the Closing Date, the Effective Date for cessation of trading in Magic’s shares, the procedure for determining the entitlement of Magic shareholders to the Merger Consideration, the timetable for the issuance and listing of the Consideration Shares for trading on the Stock Exchange, the determination of the first trading day of the Consideration Shares, the procedure for delisting Magic’s shares from trading—distinguishing between shares registered in the name of the Nominee Company and shares registered in the name of other holders—and any related matters.

8.4. Upon completion of the actions specified in Section 8.1 above, the following shall apply:

8.4.1. All operations, assets, and liabilities of Merger Sub and the Surviving Company shall be held by the Merged Company.

8.4.2. Merger Sub shall be dissolved without liquidation in accordance with the provisions of the Companies Law and shall be struck from the records of the Registrar of Companies pursuant to Section 323 of the Companies Law.

9. **Exemption, Indemnification, and Insurance of Officers**

9.1. Exemption and Indemnification - From the Closing Date and until the earlier of seven (7) years thereafter or the expiration of the applicable statutory limitation period, Matrix undertakes to cause the Merged Company to uphold all of Magic's obligations under all indemnification and exemption agreements and arrangements in favor of Magic's officers as in effect on the Closing Date and valid at such time. Matrix further undertakes to cause the Merged Company to continue to uphold all indemnification and exemption undertakings in favor of the advisors of Magic and Matrix in connection with the Merger Transaction, as detailed in Section 9.1 of the Disclosure Schedule, all in accordance with applicable law and their respective engagement terms.

9.2. Directors' and Officers' Liability Insurance - Prior to the completion of the transaction, Magic shall procure a run-off directors' and officers' liability insurance policy ("Run-Off Policy") for a period of seven (7) years from the Closing Date, insuring the liability of all directors and officers of Magic as serving during the period prior to the Closing Date, for acts, omissions, or events occurring up to (and including) the Closing Date, with limits of liability and terms no less favorable than those of the existing coverage for Magic's directors and officers immediately prior to the Closing Date, provided that the premium for such policy shall not exceed 300% of the last annual premium paid by Magic (or on its behalf) for such coverage. To the extent required, Matrix shall take any actions necessary after the Closing Date to maintain the full validity of the Run-Off Policy.

9.3. If, within seven (7) years after the Closing Date, the Surviving Company merges into another entity and does not survive such merger, or transfers all or a material portion of its assets and liabilities to another entity, such transactions shall be effected subject to the condition that the rights of directors and officers under this Section 9 shall not be prejudiced or diminished. This Section 9 constitutes a third-party beneficiary undertaking in favor of the directors and officers of Magic who served during the period preceding the Closing Date.

10. **Taxes and Other Expenses**

- 10.1. Each party shall bear the tax liability, expenses, costs, and fees imposed upon it under any applicable law and/or incurred by it in connection with the negotiation, execution, or performance of this Agreement.

11. **Termination of the Agreement**

- 11.1. Until the Closing Date of the Merger, the parties may, by mutual written consent (and, with respect to Matrix and Magic, following receipt of the recommendation of their respective Special Committees), terminate this Agreement at any time and for any reason.
- 11.2. Without derogating from the foregoing, this Agreement may be terminated by either Matrix or Magic (following receipt of the recommendation of its Special Committee) during the period between the execution date of this Agreement and the Closing Date of the Merger, by written notice to the other party, upon the occurrence of one or more of the following events:
- 11.2.1. The Conditions Precedent have not been fulfilled by the last date for their fulfillment (provided that a party whose act or omission caused or materially contributed to the non-fulfillment of any Condition Precedent shall not be entitled to terminate this Agreement on such grounds);
- 11.2.2. A final court order has been issued preventing completion of the Merger.
- 11.3. Magic shall be entitled to terminate this Agreement by notice to the other parties hereto at any time prior to the convening of its shareholders' meeting for approval of the transaction contemplated herein, if the Board of Directors of Magic has adopted a Modified Magic Board Resolution, and subject to payment of the Termination Fee in accordance with the provisions of Section 6.11 above.
- 11.4. Matrix shall be entitled to terminate this Agreement by notice to the other parties hereto at any time prior to the convening of its shareholders' meeting for approval of the transaction contemplated herein, if the Board of Directors of Matrix has adopted a Modified Matrix Board Resolution, and subject to payment of the Termination Fee in accordance with the provisions of Section 6.11 above.
- 11.5. In the event of termination of this Agreement pursuant to this Section 11, neither the parties, their shareholders, nor any third party shall have any claim or cause of action in connection therewith, including against any officer, director, or shareholder of any of the parties hereto, except for claims relating to a breach of obligations under this Agreement, if any.

- 11.6. Upon termination of this Agreement pursuant to this Section 11, this Agreement and the parties' rights and obligations hereunder shall automatically terminate without any liability of any party, provided that: (1) nothing in this Section 11.6 shall release any party from liability for breach of any provision of this Agreement prior to its termination; and (2) the provisions of Sections 11.6 (Termination of the Agreement), 12 (Confidentiality; Notices and Reports), 13 (Dispute Resolution), and 15 (Miscellaneous) shall survive such termination and remain in full force and effect thereafter.

12. **Confidentiality; Notices and Reports**

- 12.1. The mutual confidentiality undertaking executed by Magic and Matrix shall remain in effect in accordance with its terms, except that upon completion of the transaction, Matrix's obligations thereunder shall expire. For the avoidance of doubt, it is clarified that each party shall be entitled to disclose details of this Agreement, as required, to its investors and/or financial institutions and/or other third parties whose approval is necessary for the completion of the merger contemplated herein, or to a bidder in the framework of negotiations and examination of a superior proposal as provided in Sections 6.10 and 6.11 above.
- 12.2. The parties undertake to coordinate in advance any report or press release and any communication to authorities regarding the signing or completion of this Agreement, and, to the extent possible under the circumstances—and without causing delay in the reporting or non-publication of any report by the reporting party—shall allow one another reasonable time to provide comments on any such immediate report, provided that the final discretion regarding the wording of any such immediate report shall rest with the reporting party. Without derogating from the generality of the foregoing, and considering that both Magic and Matrix are public companies, during the Interim Period each party shall provide the other with all information required for the preparation of any reports it is obligated to file under applicable law, including under the Securities Law and its regulations, and under the rules applicable to dual-listed companies (as applicable), or as required by a regulatory authority, with respect to the transaction contemplated herein and the parties thereto. Such information shall be provided fully and in sufficient time to enable the reporting party to comply with its legal obligations. Without derogating from the generality of the foregoing, Magic undertakes to provide Matrix with Magic's disclosure documents and any other document or information reasonably required by Matrix in connection with the reports required to be filed by Matrix under applicable law in connection with the transaction, in time to enable publication of such reports; and Matrix undertakes to provide Magic with Matrix's disclosure documents and any other document or information reasonably required by Magic in connection with the notice convening Magic's general meeting for approval of the Merger Transaction contemplated herein.

13. **Dispute Resolution**

- 13.1. Should any disagreements, disputes, or claims (hereinafter: the “**Dispute**”) arise between the parties to this Agreement concerning its interpretation, meaning, performance, validity, or breach, or concerning the rights and obligations, in whole or in part, of the parties hereto or any of them, in connection with or arising from this Agreement, the Dispute shall be referred to a single arbitrator whose identity shall be determined by agreement of the parties, and in the absence of such agreement within fourteen days from the date on which one of the parties has delivered to the other party a written notice of its desire to appoint an arbitrator, an arbitrator who has no personal interest in either of the parties shall be appointed by the Chairperson of the Israeli Institute of Commercial Arbitration, pursuant to a request by either of the parties for such appointment (the “**Arbitrator**”).
- 13.2. The arbitration shall be subject to the provisions of the Arbitration Law, 5728–1968, and its Schedule. The Arbitrator shall have the authority to issue interim orders and other temporary remedies that a court may issue, and shall be bound solely by substantive law, not by procedural law or the rules of evidence. The Arbitrator shall be required to provide a written, reasoned arbitration award.
- 13.3. The Arbitrator shall decide the Dispute no later than forty-five (45) days from the date of referral by either party, and such decision shall be final and binding on the parties.
- 13.4. This Section constitutes a valid arbitration agreement within the meaning of the Arbitration Law, 5728–1968, and the provisions of said law—except as modified herein—shall apply to arbitration conducted pursuant to this Section. Execution of this Agreement by the parties shall be deemed execution of an arbitration agreement.
- 13.5. Subject to applicable law, the arbitration shall be conducted confidentially. The parties shall bear the Arbitrator’s fees equally.

14. **Decision-Making Regarding Implementation of Contractual Rights under this Agreement**

From the date of execution of this Agreement, the authorized body within Matrix and within Magic (as applicable) responsible for decision-making regarding the implementation of contractual rights of Matrix or Magic (as applicable) under this Agreement—including, among else, matters relating to dispute resolution between the parties hereto and/or fulfillment of Conditions Precedent and/or extensions of time—shall be the Audit Committee of Matrix or Magic, as applicable, including in its capacity as an independent committee.

15. **Miscellaneous**

- 15.1. Any delay or failure by any party to exercise or enforce any of its rights under this Agreement shall not be deemed a waiver thereof or prevent such party from exercising its rights in the future, and such party may exercise all or any of its rights hereunder at any time it deems appropriate. No waiver, concession, extension, state, modification, addition, or reduction of this Agreement or under it shall be valid unless made in writing and signed by all parties hereto.
- 15.2. Any amendment, modification, or addition to this Agreement shall be of no effect and deemed void unless made in writing and signed by all parties hereto.

- 15.3. This Agreement, including its appendices, constitutes the full and entire agreement between the parties with respect to the matters set forth herein. Any prior representation, consent, draft, or commitment, whether directly between the parties or in favor of a third party, and any negotiations, understandings, summaries, or agreements between the parties preceding the execution of this Agreement and relating to the matters set forth herein, shall have no force or effect.
- 15.4. If any provision of this Agreement is determined to be unenforceable and/or void for any reason, such determination shall not affect the remaining provisions hereof, and the parties shall act to implement this Agreement in its spirit and intent, including by substituting the unenforceable and/or void provision with a replacement provision whose substance and effect are substantially similar and whose economic outcome is equivalent for the parties hereto.
- 15.5. This Agreement may be executed in multiple counterparts, including by means of electronic signature, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. A signed Agreement received by a party via email shall be deemed an original and shall bind the signing party, provided that all other parties have executed this Agreement (whether on the same counterpart or on another counterpart thereof).
- 15.6. Third-Party Beneficiaries. Except as provided in Section 9 (Exemption, Indemnification, and Insurance of Officers), this Agreement shall not be deemed a contract for the benefit of any third party who is not a party hereto, and accordingly, no such third party (including, for the avoidance of doubt, any shareholder of a party) shall have any right of claim under or by virtue of this Agreement or any of its provisions or clauses against any of the parties hereto.
- 15.7. Interpretation. Notwithstanding any law to the contrary, the parties hereto declare that they have jointly negotiated and drafted this Agreement and have been represented by professional legal counsel in doing so. In any case of interpretative doubt regarding this Agreement in any legal proceeding (including arbitration), its terms and provisions shall be construed as jointly drafted by the parties, and no presumption favoring either party shall apply. Drafts of this Agreement shall have no validity and shall not be given any weight in interpreting this Agreement.
- 15.8. This Agreement shall be governed solely by the laws of the State of Israel. Subject to the provisions of Section 14 (Dispute Resolution) above, the exclusive jurisdiction over any matter or dispute arising from, related to, or connected with this Agreement or its performance shall be vested exclusively in the competent courts of Tel Aviv-Jaffa.
- 15.9. The addresses and contact details of the parties for purposes of this Agreement are as set forth in the preamble hereto, or any other address in Israel or other contact details notified in writing by one party to the others pursuant to this Section.
- Any notice by any party in connection with this Agreement shall be sent to the addressee by personal delivery, registered mail, or email, and shall be deemed delivered to the recipient on the date of personal delivery, or three (3) days after dispatch by registered mail, or on the first Business Day following receipt of confirmation of delivery by email.
- 15.10. Successors and Assigns. None of the rights or obligations under or pursuant to this Agreement may be assigned or transferred to any person or entity without the prior written consent of all parties hereto.

IN WITNESS WHEREOF, the parties have signed this Agreement:

<hr/>	<hr/>	<hr/>
Matrix IT Ltd.	Magic Software Enterprises Ltd.	Magitrix Ltd.
By: <hr/>	By: <hr/>	By: <hr/>
Title: <hr/>	Title: <hr/>	Title: <hr/>
and By: <hr/>	and By: <hr/>	and By: <hr/>
Title: <hr/>	Title: <hr/>	Title: <hr/>

Shareholders of Magic Software Enterprises Ltd.:

Dear Shareholders:

You are cordially invited to attend an extraordinary general meeting of shareholders of Magic Software Enterprises Ltd., incorporated under the laws of the State of Israel, which we refer to as “**we**,” “**Magic**,” or the “**Company**”, to be held on December 10, 2025 at 2:00 PM (Israel local time). The meeting will be held at Terminal Center, 1 Yahadut Canada Street, Or Yehuda 6037501, Israel. The accompanying notice of the extraordinary general meeting and proxy statement provide information regarding the matters to be considered and voted on at the extraordinary general meeting, including at any adjournment or postponement thereof.

On November 3, 2025, the Company entered into an Agreement and Plan of Merger (the “**Merger Agreement**”) with Matrix IT Ltd. (“**Matrix**”), a public company incorporated under the laws of Israel whose securities are listed for trading on the Tel Aviv Stock Exchange (the “**TASE**”) and Magitrix Ltd. (“**Merger Sub**”), a private limited company incorporated under the laws of Israel, pursuant to which subject to the satisfaction of the conditions precedent as set out in section 7 of the Merger Agreement (as detailed below), at the closing date of the Transaction, the Merger Sub will be merged with and into the Company (the “**Merger**” or the “**Transaction**”), with the Company continuing as the surviving company. The purpose of the extraordinary general meeting is for you and the other shareholders of the Company to consider and vote upon a proposal to authorize and approve the Merger Agreement and the transactions contemplated by the Merger Agreement. A translation of the Merger Agreement is attached as Annex A to the accompanying proxy statement (the Hebrew version is the controlling version).

If the Merger is consummated, at the effective time of the Merger, Matrix will issue its ordinary shares to Magic’s shareholders for 100% of the equity securities of Magic, which will become a wholly-owned subsidiary of Matrix following the merger of Merger Sub with and into Magic. If the Merger is completed, Magic’s securityholders will own in the aggregate 31.125% of the combined company’s share capital (on a fully-diluted basis), and Matrix’s securityholders will own the remaining 68.875% of the combined company’s outstanding share capital (on a fully-diluted basis). Upon completion of the Merger, Magic will become a wholly owned (100%) subsidiary of the Matrix, and Magic’s shares will be delisted from trading on NASDAQ and the stock exchange, and Magic will become a private company.

Considering that Formula Systems (1985) Ltd. is the controlling shareholder of both the Company and Matrix, and in light of the materiality of the Transaction for the Company, the Company’s Board of Directors (the “**Board**”) appointed an independent committee whose members are directors of the Company who are external and independent directors only (the “**Special Committee**”) for the purpose, among other things, of examining the advisability of the Transaction, considering alternatives to the transaction, conducting negotiations regarding the Transaction and its terms, including the consideration to which Magic shareholders will be entitled as part of the Transaction, performing due diligence in connection with the Transaction, making a decision whether to approve or reject entering into the Transaction, and submitting the Committee’s recommendations to the Board. For further details regarding the activities of the Special Committee, see below.

On November 3, 2025, the Special Committee, after consultation with its financial advisors and legal counsels and due consideration of all relevant factors and alternatives, including the opinion of PricewaterhouseCoopers Advisory Ltd. for the purpose of evaluating the Merger and determining the fairness of the consideration reflected in the exchange ratio, unanimously (a) determined that the proposed Merger is the most advantageous alternative available to the shareholders of Magic under the circumstances, offering the highest potential to enhance the Company’s strategic position and long-term value creation for all shareholders, and (b) approved and recommended that the Board authorize and approve entry into the Merger.

On November 3, 2025, the Board, acting upon the unanimous recommendation of the Special Committee, unanimously (a) determined that the proposed Merger is the most advantageous alternative available to the shareholders of Magic under the circumstances, offering the highest potential to enhance the Company's strategic position and long-term value creation for all shareholders, (b) authorized and approved the Merger Agreement and the other transactions contemplated by the Merger Agreement and (c) resolved to recommend the approval and authorization of the Merger Agreement and the other transactions contemplated by the Merger Agreement to the shareholders of the Company and directed that the Merger Agreement and the consummation of the Transaction be submitted to the shareholders of the Company for authorization and approval.

Accordingly, the Board recommends that you vote FOR the consummation of the Merger and the other transactions contemplated by the Merger Agreement, translated and attached as Annex A to the proxy statement, including the issuance of ordinary shares of Matrix at the effective time of the Merger to the security holders of Magic and the purchase by the Company of a "run-off" directors' and officers' liability insurance policy for a period of seven years following the effective time of the Merger.

The Merger cannot be completed unless the Merger Agreement and the other transactions contemplated by the Merger Agreement are authorized and approved by a special resolution of the Company passed by an affirmative vote of holders of a majority of the voting power represented at the Meeting in person or by proxy and voting on the proposal. Under section 275 of the Israeli Companies Law, the approval of the Merger and other transactions contemplated by the Merger Agreement is also subject to satisfaction of at least one of the following additional voting requirements:

- the majority voted in favor of the proposal must include a majority of the shares held by non-controlling shareholders who do not have a conflict of interest (referred to in the Israeli Companies Law as a "personal interest") in the approval of the proposal that are voted at the Meeting, excluding abstentions; or
- the total number of shares held by non-controlling, non-conflicted shareholders (as described in the previous bullet-point) voted against the proposal did not exceed two percent (2%) of the aggregate voting rights in the Company.

For purposes of the above special voting requirements, to the best of our knowledge, Formula Systems (1985) Ltd. would be deemed a "controlling shareholder" of both the Company and of Matrix under the Israeli Securities Law, and therefore deemed to have a "personal interest" in the approval of the proposal.

The accompanying proxy statement provides detailed information about the Merger and the extraordinary general meeting. We encourage you to read the entire document and all of the attachments and other documents referred to or incorporated by reference herein carefully. You may also obtain more information about the Company from documents the Company has filed with the United States Securities and Exchange Commission (the "SEC"), which are available for free at the SEC's website at www.sec.gov. The Proxy Statement and all the materials and appendices are also available on <https://www.magicsoftware.com/investors/>.

Sincerely

/s/ Guy Bernstein

Guy Bernstein
Chief Executive Officer



MAGIC SOFTWARE ENTERPRISES LTD.
Terminal Center, 1 Yahadut Canada Street, Or Yehuda 6037501, Israel

**NOTICE OF EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS
TO BE HELD ON DECEMBER 10, 2025**

November 3, 2025

Dear Shareholder:

This proxy statement is being furnished in connection with the solicitation of proxies on behalf of the Board of Directors of Magic Software Enterprises Ltd., to be voted at the Extraordinary General Meeting of Shareholders ("**Meeting**"), and at any adjournment or postponement thereof, pursuant to the accompanying Notice of Extraordinary General Meeting of Shareholders of Magic Software Enterprises Ltd., which we refer to as "**we**," "**Magic**," or the "**Company**." The Meeting will be held at 2:00 p.m. (Israel time) on Wednesday, December 10, 2025 at our offices at Terminal Center, 1 Yahadut Canada Street, Or Yehuda 6037501, Israel, and thereafter as it may be adjourned or postponed from time to time.

The agenda of the Meeting is as follows:

Proposed Resolution in connection with the approval of the Transaction and related transactions:

To approve the consummation of the Transaction (as such term is used and defined in the accompanying proxy statement) pursuant to which, subject to the satisfaction of the conditions precedent set forth in the Merger Agreement, on the completion of the Transaction, a reverse triangular merger will be carried out whereby Merger Sub will merge with and into Magic, Merger Sub will be dissolved, and Magic will become a private company wholly owned by the Matrix, in consideration for the issuance of Matrix ordinary shares to the shareholders of Magic, and the other transactions contemplated by the Merger Agreement (including purchase by the Company of a "run-off" directors' and officers' liability insurance policy for a period of seven years following the effective time of the Transaction).

To complete the Transaction, the Proposal must be approved at the Meeting, or at any permitted adjournment thereof. In addition to the requirement of obtaining such shareholder approval, each of the other closing conditions set forth in the Merger Agreement, must be satisfied or waived. The proposal will become effective upon consummation of the Transaction.

Our Board of Directors, acting upon the unanimous recommendation of a special committee of the Board of Directors, comprised solely of independent and disinterested directors, unanimously recommends that you vote FOR the foregoing proposal, which is more fully described below.

We are not aware of any other matters that will come before the Meeting. If any other matters properly come before the Meeting, the persons designated as proxies intend to vote on such matters in accordance with the judgment of the Board of Directors.

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE DATE AND SIGN THE PROXY CARD AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE FOR WHICH NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES. YOU CAN LATER REVOKE YOUR PROXY, ATTEND THE MEETING AND VOTE YOUR SHARES IN PERSON. ALL PROXY INSTRUMENTS AND POWERS OF ATTORNEY MUST BE DELIVERED TO THE COMPANY NO LATER THAN SIX (6) HOURS PRIOR TO THE MEETING.

Recommendation of the Board

Our Board of Directors acting upon the unanimous recommendation of a special committee of the Board comprised solely of independent and disinterested directors, unanimously recommends a vote FOR the proposal set forth in this Proxy Statement.

Proxy Procedure

Only holders of record of our ordinary shares, par value NIS 0.1 per share, or Magic's ordinary shares, as of the close of business on Monday, November 10, 2025 are entitled to notice of, and to vote in person or by proxy at, the Meeting. As of November 3, 2025, there were 49,099,305 outstanding ordinary shares of the Company.

- **Voting in Person.** If your shares are registered directly in your name with our transfer agent (i.e., you are a "registered shareholder"), you may attend and vote in person at the Meeting. Please bring some form of valid identification. If you are a beneficial owner of shares registered in the name of your broker, bank, trustee or nominee (i.e., your shares are held in "street name") on the Nasdaq Global Select Market, or Nasdaq, in the United States, you are also invited to attend the Meeting; however, to vote in person at the Meeting as a beneficial owner, you must first obtain a "legal proxy" from your broker, bank, trustee or other nominee authorizing you to do so, as well as a statement from the nominee showing your beneficial ownership of ordinary shares. If you hold your ordinary shares beneficially through a member of the Tel Aviv Stock Exchange, or TASE, in Israel and wish to vote your shares in person at the Meeting, you will need to present a certificate signed by a member of the TASE which complies with the Israel Companies Regulations (Proof of Ownership for Voting in General Meetings)-2000 as proof of ownership of the shares.

- **Voting by Mail.** You may submit your proxy by mail by completing, signing and mailing the enclosed proxy card in the enclosed, postage-paid envelope, or, for shares held in street name, by completing, signing and submitting the enclosed voting instruction form to your broker, bank, trustee or nominee in accordance with the directions provided to you. If you submit a proxy card or voting instruction form but do not vote or provide voting instructions, your shares will be voted “FOR” the proposal at the Meeting.
- **Voting Electronically.** Shareholders holding Magic ordinary shares in “street name” whose shares are held through members of the TASE may also vote their shares electronically via the electronic voting system of the Israel Securities Authority, which vote shall be cast no later than December 10, 2025 at 8:00 a.m. Israeli time (six hours before the Meeting time). You may receive guidance on the use of the electronic voting system from the TASE member through which you hold your shares. Shareholders holding in “street name” in the United States should be able to provide voting instructions online at www.proxyvote.com by using the control number and following the directions provided to them by their broker, bank, trustee or other nominee.

If you are a registered shareholder and are voting via a proxy card, the proxy card must be received either by our transfer agent by 11:59 pm Eastern time on Tuesday, December 9, 2025 or by our company at our registered office in Israel at least six hours prior to the designated time for the Meeting (that is, by 8:00 a.m. (Israel time) on December 10, 2025) in order for your ordinary shares to be validly included in the tally of shares voted at the Meeting.

Change or Revocation of Proxy

If you are a registered shareholder, you may change your vote at any time prior to the exercise of authority granted in the proxy by delivering a written notice of revocation to our Corporate Secretary, by granting a new proxy bearing a later date, or by attending the Meeting and voting in person. Attendance at the Meeting will not cause your previously granted proxy to be revoked unless you specifically so request.

If your shares are held in “street name” in the United States, you may change your vote by submitting new voting instructions to your broker, bank, trustee or nominee or, if you have obtained a legal proxy from your broker, bank, trustee or nominee giving you the right to vote your shares, by attending the Meeting and voting in person.

If your shares are held through a member of the TASE, you may change your vote in the same manner in which you originally submitted it until Wednesday, December 10, 2025 at 8:00 a.m. Israeli time (six hours before the Meeting time).

Quorum

A quorum of shareholders is necessary to transact business at the Meeting. The presence of two shareholders, holding at least 25% of our voting rights, represented in person or by proxy at the Meeting, will constitute a quorum. If there is not a legal quorum within half an hour of the scheduled time of the Meeting, the Meeting will be adjourned to the same day in the following week at the same time and place or to any other time and place as the chairman of the board of directors may determine with the consent of a majority of the voting power represented at the Meeting, in person or by proxy, and voting on the question of adjournment. At the reconvened Meeting, the presence of at least two shareholders represented in person or by proxy, will constitute a quorum. The notice accompanying this Proxy Statement shall serve as notice of such reconvened meeting if no quorum is present at the original date and time; no further notice of the reconvened meeting will be given to shareholders.

Abstentions and broker non-votes will be counted towards the quorum. Generally, a broker non-vote occurs when voting instructions have been provided by a beneficial holder to his, her or its broker with respect to certain proposals but not with respect to other proposal(s) and the broker lacks discretionary voting power to vote such shares with respect to those other proposal(s) because such proposals are not considered “routine” proposals.

Unsigned or unreturned proxies, including those not returned by banks, brokers, or other record holders, will not be counted for quorum or voting purposes.

Majority Vote Standard

Each Magic ordinary share entitles the holder to one vote. An affirmative vote of the holders of a majority of the Magic ordinary shares represented at the Meeting, in person or by proxy, entitled to vote and voting thereon, is required to approve the proposal.

In addition, approval of the Proposal requires satisfaction of one of the following additional voting requirements:

- the majority voted in favor of the proposal must include a majority of the shares held by non-controlling shareholders who do not have a conflict of interest (referred to in the Israeli Companies Law as a “personal interest”) in the approval of the proposal that are voted at the Meeting, excluding abstentions; or
- the total number of shares held by non-controlling, non-conflicted shareholders (as described in the previous bullet-point) voted against the proposal did not exceed two percent (2%) of the aggregate voting rights in the Company.

Under Section 268 of the Israeli Companies Law, a “controlling shareholder” is any shareholder who holds 25% or more of the voting rights in the Company if there is no other shareholder holding more than 50% of the voting rights in the Company.

Therefore, for purposes of the above special voting requirements, to the best of our knowledge, Formula Systems (1985) Ltd., or Formula Systems, which holds approximately 46.71% of our issued and outstanding ordinary shares, would be deemed a “controlling shareholder” of the Company under the Israeli Companies Law.

Mr. Guy Bernstein, Chairman of Matrix’s Board of Directors, may have a personal interest in the Transaction as he also serves as CEO of the Company and Formula, which is the controlling shareholder of both the Company and Matrix. In addition, Mr. Bernstein holds approximately 11.73% of the outstanding shares of Formula, making him an affiliate.

A “personal interest” of a shareholder under the Companies Law: (i) includes an interest of such shareholder or any member of the shareholder’s immediate family (i.e., spouse, sibling, parent, parent’s parent, descendent, the spouse’s descendent, sibling or parent, and the spouse of any of those) or an interest of an entity with respect to which the shareholder (or such a family member thereof) serves as a director or the chief executive officer, owns at least 5% of the shares or its voting rights or has the right to appoint a director or the chief executive officer; and (ii) excludes an interest arising solely from the ownership of shares of the Company.

A controlling shareholder and a shareholder that possesses a personal interest are qualified to participate in the vote on the proposal, and will be counted towards or against the ordinary majority required for approval of the proposal; however, the vote of any such shareholder will not be counted towards or against the special majority requirement described in the first bullet point above or towards the 2% threshold described in the second bullet point above.

Under the Israeli Companies Law, any shareholder participating in the vote must inform our Company before the vote whether or not such shareholder is a controlling shareholder or has a conflict of interest in the approval of the proposal, and failure to do so disqualifies the shareholder from participating in the vote on the Proposal. In keeping with the relief provided by the Companies Regulations - Relief for Companies whose Securities are Listed for Trading on a Foreign Exchange 2000-5760, **if you vote by means of the enclosed proxy card or voting instruction form, online at www.proxy.com, or via the electronic voting system of the Israel Securities Authority, you will be deemed to be confirming to our company that you are not a controlling shareholder and that you lack a conflict of interest in the approval of the proposal, and your vote or voting instruction (as applicable) will be counted towards or against the special majority required for the approval of the proposal.**

If you believe that you, or a related party of yours, is a controlling shareholder or has such a conflict of interest and you wish to participate in the vote for or against the proposal, you should not vote by means of the enclosed proxy card or voting instruction form, online at www.proxy.com, or via the electronic voting system of the Israel Securities Authority, and you should instead contact our Chief Financial Officer, Mr. Asaf Berenstein, at aberenstein@magicsoftware.com, who will instruct you how to submit your vote or voting instructions on the proposal.

The Proxy Statement and all the materials and appendices are also available on <https://www.magicsoftware.com/investors/>.

In tabulating the voting results for any proposal, shares that constitute broker non-votes and abstentions are not considered votes cast on proposal. Thus, broker non-votes will not affect the outcome of any of the matters being voted on at the Meeting. Unsigned or unreturned proxies, including those not returned by banks, brokers, or other record holders, will not be counted for voting purposes.

Prior to the execution of the Merger Agreement, Formula delivered to Magic and Matrix a written undertaking whereby it undertakes to vote by way of all of its shares in favor of the approval of the Merger Transaction and all related resolutions at the general meetings of both Matrix and Magic, the agendas of which shall include the approval of the Merger Transaction. Formula has also notified the Magic and Matrix that it shall not sell its shares in Magic and Matrix in a manner that would cause it to cease to be the sole controlling shareholder of Magic and Matrix. Formula’s undertaking shall be in force as of the execution of the Merger Agreement and until the earlier of: (a) 15 months from the date of the Merger Agreement, and (b) the completion of the Transaction.

Cost of Soliciting Votes for the Meeting

We will bear the cost of soliciting proxies from our shareholders. Proxies will be solicited by mail and may also be solicited in person, by telephone or electronic communication, by our directors, officers and employees. We will reimburse brokerage houses and other custodians, nominees and fiduciaries for their expenses in accordance with the regulations of the Securities and Exchange Commission, or the SEC, concerning the sending of proxies and proxy material to the beneficial owners of our shares.

Voting Results of the General Meeting

We will publish the final results of the votes on the proposal at the Meeting in a Report of Foreign Private Issuer on Form 6-K (“**Form 6-K**”) furnished to the SEC promptly following the Meeting. You may obtain a copy of that Form 6-K by reviewing our SEC filings through the SEC’s EDGAR filing system at www.sec.gov, through the Tel-Aviv Stock Exchange filing system at www.tase.co.il, or through the Israeli Securities Authority filing system at <http://www.magna.isa.gov.il/>.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding, to our knowledge, the beneficial ownership by (i) all shareholders known to us to beneficially own 5% or more of our outstanding ordinary shares, (ii) each director and executive officer; and (iii) all directors and executive officers as a group:

Name	Number of Ordinary Shares Beneficially Owned ⁽¹⁾	Percentage of Ownership ⁽²⁾
Formula Systems (1985) Ltd. ⁽³⁾	22,933,809	46.71%
Harel Insurance Investments & Financial Services Ltd. ⁽⁴⁾	6,820,077	13.89%
Clal Insurance Enterprises Holdings Ltd ⁽⁵⁾	3,420,060	6.97%
The Phoenix Holdings Ltd ⁽⁶⁾	2,471,322	5.03%
Guy Bernstein	150,000	*
Asaf Berenstin	38,225	*
Ron Ettlinger	—	—
Naamit Salomon	—	—
Sagi Schliesser	—	—
Avi Zakay	—	—
Arik Kilman	—	—
Arik Faingold	—	—
Yakov Tsaroya	2,500	*
Hanan Shahaf	—	—
Yuval Baruch	—	—
All directors and executive officers as a group (12 persons)	190,725	*

* Less than 1%

- (1) Beneficial ownership is determined in accordance with the rules of the SEC, and generally includes voting or investment power with respect to ordinary shares. Ordinary shares underlying options or restricted share units (RSUs) currently exercisable/vesting or exercisable or vesting within 60 days of October 31, 2025 are deemed beneficially owned by the relevant holder of those options or RSUs and are deemed outstanding for computing the percentage beneficial ownership of the person holding such options or RSUs but are not deemed outstanding for computing the percentage of any other person. Except as indicated by footnote, and subject to community property laws where applicable, the persons named in the table above have sole voting and investment power with respect to all ordinary shares shown as beneficially owned by them.

- (2) The percentages shown are based on 49,099,305 ordinary shares issued and outstanding as of October 31, 2025.
- (3) Based on Amendment No. 19 to Schedule 13D filed by Formula Systems (1985) Ltd., or Formula Systems, with the SEC on May 23, 2022. Asseco Poland S.A., or Asseco, holds 3,958,154 ordinary shares, representing 25.82% of the outstanding ordinary shares, of Formula Systems, as reported in Asseco's Amendment No. 5 to its Schedule 13D filed with the SEC on December 7, 2022. Asseco may therefore be deemed to be the indirect beneficial owner of the aggregate 22,933,809 ordinary shares of our company held directly by Formula Systems. The address of Formula Systems is 1 Yahadut Canada Street, Or-Yehuda, Israel. The address of Asseco is 35-322 Rzeszow, ul.Olchowa 14, Poland.
- (4) Based on written notification received from Harel Insurance Investments & Financial Services Ltd., or Harel Insurance, on October 12, 2025. Harel Insurance is a publicly held Israeli corporation. Out of the 6,820,077 ordinary shares of our company beneficially owned by Harel Insurance: (i) 6,513,655 shares are held for members of the public through, among others, provident funds and/or mutual funds and/or pension funds and/or insurance policies and/or exchange traded funds, which are managed by subsidiaries of Harel Insurance, each of which subsidiaries operates under independent management and makes independent voting and investment decisions; and (ii) 306,422 ordinary shares are beneficially held for Harel Insurance's own account.
- (5) Based on written notification received from Clal Insurance Enterprises Holdings Ltd., or Clal, on October 5, 2025. Clal is a publicly held Israeli corporation. All the 3,420,060 ordinary shares of our company beneficially owned by Clal are held for members of the public through, among others, provident funds and/or mutual funds and/or pension funds and/or insurance policies and/or exchange traded funds, which are managed by subsidiaries of Clal, each of which subsidiaries operates under independent management and makes independent voting and investment decisions.
- (6) Based on written notification received from Phoenix Holdings Ltd. , or Phoenix Holdings, on October 8, 2025. The ordinary shares of our company held by Phoenix Holdings are beneficially owned by various direct or indirect, majority or wholly-owned subsidiaries of Phoenix Holdings, or the Phoenix Subsidiaries. The Phoenix Subsidiaries manage their own funds and/or the funds of others, including for holders of exchange-traded notes or various insurance policies, members of pension or provident funds, unit holders of mutual funds, and portfolio management clients. Each of the Phoenix Subsidiaries operates under independent management and makes its own independent voting and investment decisions. As of September 30, 2025, the securities reported herein were held as follows: (i) the Phoenix Investments House - trust funds: 1,123,170; (ii) The Phoenix pension and provident funds: 4,853; (iii) Partnership for Israeli shares: 1,285,505; (iv) Partnership for investing in shares indexes: 1,503; and (v) 61,144 shares are beneficially held for Phoenix Holdings' own account. (All ownership rights in these partnerships belong to companies that are part of the Phoenix Group. The amount of ownership rights held by such companies in the partnership changes frequently according to a mechanism provided in the partnership agreement).

ADDITIONAL INFORMATION REGARDING OUR BOARD, CORPORATE GOVERNANCE AND COMPENSATION OF OUR OFFICERS AND DIRECTORS

Item 6.B of our Annual Report on Form 20-F for the year ended December 31, 2024, or the 2024 Form 20-F, contains information regarding compensation paid to our directors and certain officers (including our five most highly compensated officers) in, or with respect to, the year ended December 31, 2024. Item 6.C of our 2024 Form 20-F contains additional information regarding our Board, its committees and our corporate governance practices. We encourage you to review those items of our 2024 Form 20-F— which we incorporate by reference herein— to obtain additional information.

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INTRODUCTION

As further discussed below, following the unanimous approval of the Special Committee, Magic Board of Directors (“**Magic Board**”), Magic, Magitrix Ltd. (“**Merger Sub**”), and Matrix entered into an Agreement and Plan of Merger dated as of November 3, 2025 (the “**Merger Agreement**”).

Pursuant to the Merger Agreement, Matrix will issue its ordinary shares to Magic’s shareholders for 100% of the equity securities of Magic, which will become a wholly-owned subsidiary of Matrix following the merger of Merger Sub with and into Magic (the “**Transaction**”). If the Transaction is completed, Magic’s securityholders will own in the aggregate 31.125% of the combined company’s share capital (on a fully-diluted basis), and Matrix’s securityholders will own the remaining 68.875% of the combined company’s outstanding share capital (on a fully-diluted basis).

In order to complete the Transaction, Magic’s shareholders are being asked to approve the consummation of the Transaction.

To consummate the Transaction, the Proposal must be approved at the Meeting, or at any permitted adjournment thereof. In addition to the requirement of obtaining such shareholder approval, each of the other closing conditions set forth in the Merger Agreement must be satisfied or waived.

You are cautioned not to rely on any information other than the information contained in this proxy statement. No one has been authorized to provide you with information that is different from that contained in this proxy statement. This proxy statement is dated November 3, 2025. You should not assume that the information contained in this proxy statement is accurate as of any other date. The mailing of this proxy statement to our shareholders will not create any implication to the contrary.

This proxy statement does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction in which or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction.

Rule 802 under the Securities Act of 1933 provides an exemption from federal prospectus filing requirements for business combinations involving foreign private issuers when U.S. holders own no more than 10% of the subject securities. However, this exemption does not eliminate all disclosure obligations - Matrix must still file informational documents with the SEC on Form CB, provide equal treatment to U.S. holders, and include specific warning legends about foreign law differences. While Rule 802 exempts transactions from Section 5 registration requirements at the federal level, state securities law may still apply unless the transaction qualifies as a covered security under federal preemption principles.

The central requirement for Rule 802 eligibility is that U.S. holders of the foreign subject company cannot hold more than 10 percent of the securities that are the subject of the exchange offer or business combination. This threshold serves as the primary gateway for determining whether a transaction qualifies for the exemption. Reasonable steps to verify this threshold were taken and it was determined that U.S. holders hold less than 10 percent of Magic’s securities. Therefore, no prospectus under the U.S. Securities Act of 1933 is provided for the Transaction by Matrix.

QUESTIONS AND ANSWERS ABOUT THE TRANSACTION

The following section provides answers to frequently asked questions about the Transaction and other matters relating to the Meeting. This section, however, provides only summary information. Please refer to the more detailed information contained elsewhere in this proxy statement and the documents referred to or incorporated by reference in this proxy statement. Magic urges its shareholders to read this document in its entirety prior to making any decision.

What is the Transaction?

Matrix is a public company whose securities are listed for trading on the TASE. Magic's shares are listed for trading on both the TASE and Nasdaq.

Both Matrix and Magic are controlled by Formula Systems (1985) Ltd. ("**Formula**"), which, as of the date hereof, holds approximately 46.71% of the issued share capital of Magic and approximately 48.13% of the issued share capital of Matrix

Merger Sub is a private company, wholly owned by Matrix, established by it for the purpose of executing the Transaction.

Magic, Merger Sub and Matrix entered into the Merger Agreement on November 3, 2025. The Merger Agreement contains the terms and conditions of the proposed business combination of Magic and Matrix. Pursuant to the Merger Agreement, Merger Sub will merge with and into Magic, with Magic surviving as a wholly-owned subsidiary of Matrix.

The boards of directors of Matrix and Magic have each appointed a special, independent board committee (the "**Special Committees**") to examine the possible engagement in the Transaction (including the option not to engage in the Transaction) and alternatives thereto, and authorized them, as appropriate, to negotiate with the counterpart committee regarding the Transaction and to determine its terms.

Each Special Committee has engaged independent legal and financial advisors, conducted comprehensive discussions regarding the Transaction, and concluded that carrying out the Transaction is in the best interests of their shareholders.

After lengthy negotiations between the Special Committees, Magic and Matrix reached a principal agreement regarding the main terms of the proposed merger transaction, including the merger consideration, as reflected in a non-binding memorandum of understanding signed by the parties on March 10, 2025.

The parties entered into the Merger Agreement on November 3, 2025 and upon completion of the Transaction, the Merger Sub will be dissolved, and Magic will become a private company wholly owned by Matrix, with all Magic shareholders entitled to the Merger Consideration (as defined below) in exchange for their Magic ordinary shares, all in accordance with the provisions of the Merger Agreement.

Further details regarding Magic's Special Committee, its activities, and the determination of the exchange ratio are set forth below:

Composition and Authority of Magic's Special Committee

The composition of the Special Committee is as follows: Sami Totah (Chairperson of the Committee), Ron Ettlinger (External Director), and Avi Zakay (Independent Director). The members of the Special Committee are external or independent directors who also serve as members of the Company's Audit Committee. To the best of the Company's knowledge, and as confirmed by the members of the Special Committee, none of the members of the Special Committee has a personal interest (as this term defined below) in the Transaction, including any other affiliation with the Company and/or its controlling shareholder.

The Special Committee was authorized, among else, to examine the advisability of the Transaction. If it deemed appropriate to do so, the Committee was authorized to act at its independent discretion, including reviewing the terms of the Transaction (particularly with respect to the consideration to Magic's shareholders), examining alternatives to the Transaction, and conducting negotiations regarding the terms of a potential Transaction all subject to applicable law and to the procedures of the Special Committee, which were established to ensure that the Committee's work processes would be independent and effective.

In this context, the Special Committee was authorized by the Board of Directors to appoint professional advisors with expertise in their respective fields, who are independent and not affiliated with the Company and/or its controlling shareholder, including legal, financial, and other advisors (as appropriate to the nature of the Transaction), and to determine the compensation to be paid by the Company to such advisors.

Work Process of Magic's Special Committee

Duration of Work – Magic's Special Committee conducted a thorough and comprehensive work process that lasted for over a year and a half (approximately 18 months) from the date it commenced its work, during which dozens of meetings were held.

Appointment of Professional Advisors – In accordance with its authority as described above, Magic's Special Committee selected and appointed the following independent professional advisors:

(a) **Legal Advisors** – Gornitzky & Co., an Israeli law firm with expertise in corporate and securities law, including advising independent committees in transactions with controlling shareholders (the "**Legal Advisors**");

(b) **Financial Advisors** – Value Base Mergers and Acquisitions Ltd., an Israeli financial advisory firm with experience in advising independent committees in transactions involving the same controlling shareholder and with familiarity with the Israeli technology and IT markets (the “**Financial Advisors**”);

(c) **Accounting Advisor** – Variance Economic Consulting Ltd., an Israeli consulting firm engaged in providing economic and business consulting services, specializing in economic opinions and conducting financial due diligence, with experience in financial due diligence for Israeli technology and IT companies and the ability and expertise to advise Magic’s Special Committee on such matters; and

(d) **Fairness Opinion Advisor** – PricewaterhouseCoopers Advisory Ltd. (“**PwC Israel**”), the Israeli member firm of the global PwC network. The global PwC network comprises firms in approximately 150 countries worldwide, with over 370,000 partners and employees. PwC Israel is a leading firm in the fields of financial, business, and technology consulting, serving the largest organizations in the Israeli market. PwC Israel has extensive experience in providing fairness opinions to boards of directors and independent committees in merger and acquisition transactions, including transactions involving a common controlling shareholder. PwC Israel was engaged by the Special Committee to provide an independent fairness opinion regarding the fairness, from a financial point of view and from the economic perspective of the Company’s shareholders, of the consideration offered in the Transaction (together, the “**Advisors**”).

To the best of the Company’s knowledge, and as confirmed by the Advisors, none of the Advisors has any personal interest or other improper affiliation with the Company and/or its controlling shareholder and/or any party to the Transaction.

Working Procedures – Shortly after commencing its activities, Magic’s Special Committee, in consultation with its Legal Advisors, established formal working procedures designed to structure its work process in a manner that would be independent and effective, not influenced by the Company and/or its controlling shareholder, would maintain the required confidentiality, be properly documented, and set forth guidelines for the participation of Company management in the Committee’s work process, in accordance with the standards expected of a special committee, including those established by Israeli case law.

The meetings of Magic’s Special Committee and its Advisors were conducted independently and separately from the Company’s management and controlling shareholder, and were documented by the Committee’s Legal Advisors. In addition, certain meetings of Magic’s Special Committee were held as negotiation sessions, attended by representatives of the Special Committee appointed by it to participate in such negotiations, together with the relevant Advisors.

Review of Alternatives

Prior to deciding whether to enter into negotiations regarding the proposed Transaction, Magic’s Special Committee examined various potential alternatives to the proposed Transaction, in light of the Company’s business needs, challenges, and strategic objectives. For this purpose, the Committee, with the assistance of its Advisors, analyzed different structural and strategic alternatives available to the Company, including potential business combinations, strategic partnerships, or remaining independent, while considering the Company’s current market position, growth prospects, and the challenges it faces in its competitive environment.

Magic's Special Committee reviewed several possible alternatives, including: (a) continuing the Company's operations as an independent public company; (b) pursuing other strategic collaborations or merger opportunities with third parties; and (c) proceeding with the proposed merger with Matrix, under which the Company's shareholders would receive Matrix ordinary shares as consideration. The Special Committee analyzed each alternative from multiple perspectives, including strategic fit, potential synergies, execution risks, timing, and expected value creation for the Company's shareholders.

Magic's Special Committee found that a merger with Matrix, which combines complementary technological capabilities, customer bases, and market presence, would likely generate significant strategic and operational synergies for both companies. These include enhanced scale, broader market reach, and improved competitiveness, while maintaining the Company's core technological strengths and business identity. The Special Committee further noted that the merger structure would provide the Company's shareholders with continued participation in the combined entity's future growth through share ownership in Matrix.

After extensive and detailed discussions, and following a comprehensive analysis of all alternatives, Magic's Special Committee concluded that, among the alternatives considered, the proposed merger with Matrix represents the most advantageous and value-maximizing alternative for the Company and all of its shareholders. In reaching this conclusion, the Committee took into account the Company's current position, strategic direction, and the potential for long-term value creation resulting from the combination with Matrix.

Magic's Special Committee also assessed that the Merger is expected to generate meaningful synergies between the two companies, including potential cost efficiencies (arising from economies of scale), operational integration benefits, and opportunities for cross-selling and technological collaboration, all subject to applicable law and regulatory requirements.

The conclusions of Magic's Special Committee were supported by the opinions and analyses of its Advisors.

Valuation Analyses and Fairness Opinion

For the purpose of evaluating the Transaction and determining the fairness of the consideration reflected in the exchange ratio, Magic's Special Committee was assisted with its independent and external Financial Advisors and also engaged with the services of PwC Israel, which independently evaluated the fairness, from a financial point of view and from the economic perspective of Magic's shareholders, of the consideration offered in the Transaction. The Fairness Opinion, as delivered to the Board of Directors and the Special Committee, is attached hereto as Annex B.

The Fairness Opinion supported the Special Committee's conclusion that the exchange ratio and the consideration to be received by Magic's shareholders are fair from a financial point of view. conducted valuation work based primarily on a discounted cash flow (DCF) methodology, applying professional judgment in determining the key parameters of the valuation models, including discount rates, growth assumptions, and other financial metrics relevant to the companies' operations and market conditions.

The valuation analyses presented a range of values for each of Magic and Matrix, which were influenced by several potential variables, including discount rates and long-term growth rates. Magic's Special Committee held extensive and detailed discussions regarding the valuation analyses presented to it.

Based on the valuation work performed, Magic's Special Committee noted that the analyses were conducted using a DCF methodology supported by detailed financial forecasts for each company and sensitivity analyses for key parameters such as discount rates and perpetual growth rates. The Committee further noted that the valuations were prepared on a stand-alone basis for each of Magic and Matrix, without taking into account potential synergies expected to result from the completion of the Transaction. Accordingly, any additional synergistic value that may be realized following the merger was not included in the calculation of the fair exchange ratio, even though such synergies could provide incremental value to the combined company and its shareholders.

In light of the foregoing, and based on the analyses and opinions presented by its independent Financial Advisors and PricewaterhouseCoopers Advisory Ltd., Magic's Special Committee and Magic's Board of Directors confirmed that the valuations and the Fairness Opinion remained valid and in effect as of November 3, 2025.

Negotiations with Matrix Representatives and Due Diligence Review

After Magic's Special Committee concluded that the proposed Transaction represented the most favorable alternative available to the Company and its shareholders, and following the presentation of the valuation analyses prepared by its Financial Advisors, representatives of Magic's Special Committee, together with its Advisors, held a series of negotiation meetings with representatives of Matrix's Special Committee. During these meetings, the parties discussed the principal terms and key economic parameters of the proposed Transaction.

The negotiations conducted by Magic's Special Committee regarding the exchange ratio were based on the valuation ranges derived from the financial analyses prepared by its independent Financial Advisors, as well as on market developments and changes in the financial performance of both Magic and Matrix that occurred during the negotiation process. Throughout the negotiations, the Committee sought to maximize the exchange ratio for the benefit of Magic's shareholders.

Following the conclusion of the initial negotiation phase, a non-binding Memorandum of Understanding dated 10 March 2025 was reached between the parties regarding an exchange ratio that would serve as the basis for the Transaction, subject to the completion of due diligence, the execution of a definitive merger agreement, and any adjustments that might result from updated financial or market information. Subsequently, following the completion of the due diligence process and the review of updated financial forecasts by the Committee's Financial Advisors, Magic's Special Committee determined that there was no need to modify the preliminary exchange ratio, as it remained consistent with the valuation analyses and continued to reflect fair and reasonable consideration for Magic's shareholders.

During the negotiation period, Magic's Special Committee, with the assistance of its Advisors, conducted comprehensive legal, financial, accounting, and tax due diligence reviews of Matrix. Magic's Special Committee was updated on the principal findings of the due diligence reviews. After reviewing these findings, Magic's Special Committee concluded that the results of the due diligence supported the completion of the Transaction in accordance with the agreed exchange ratio and the terms set forth in the Merger Agreement. The Company's Board of Directors subsequently approved this conclusion.

Agreed Exchange Ratio – Upon completion of the negotiations with Matrix, the parties agreed that the exchange ratio forming the basis of the Transaction would be 31.125% / 68.875%. This exchange ratio was determined following arm's-length negotiations between Magic's Special Committee and Matrix's Special Committee and was found to be consistent with the valuation ranges derived from the independent valuation analyses conducted by the Committee's Financial Advisors, and fair according to the Fairness Opinion provided by PricewaterhouseCoopers Advisory Ltd.

Decisions and Recommendations of Magic's Special Committee and the Rationale Therefor

Following a thorough and comprehensive process conducted by Magic's Special Committee, with the assistance of its Advisors, the Special Committee concluded that the proposed Transaction represents the most favorable alternative available to the Company and its shareholders and that it is in the best interests of the Company and its shareholders to approve the Transaction and its terms. Accordingly, the Special Committee (also acting in its capacity as the Company's Audit Committee) resolved to approve the Transaction and to recommend that the Company's Board of Directors do the same, based on the following principal considerations:

Magic's Special Committee determined that the proposed Transaction is the most advantageous alternative under the circumstances, offering the highest potential to enhance the Company's strategic position and long-term value creation for all shareholders. The Committee believes that the merger with Matrix will strengthen the Company's competitive position, expand its technological and business capabilities, and create a more diversified and resilient corporate structure.

The Special Committee noted that Matrix is a well-established and reputable company with a strong market presence and brand recognition in Israel and abroad. The combination of Magic's technological expertise with Matrix's scale and market reach is expected to generate meaningful strategic benefits for the combined entity.

The Committee reviewed the analyses prepared by its Financial Advisors and determined that the agreed exchange ratio is consistent with the valuation ranges derived from the independent valuation analyses of both Magic and Matrix, as well as with the Fairness Opinion provided by PricewaterhouseCoopers Advisory Ltd., which confirmed that the consideration to be received by Magic's shareholders is fair and reasonable from a financial point of view and from the economic perspective of the Company's shareholders.

The completion of the Transaction is expected to generate significant synergies for the combined company, including operational efficiencies, cost savings, and enhanced growth opportunities, while maintaining the distinct business strengths of each company. The Committee noted that these potential synergies were not included in the valuation analyses or in the calculation of the fair exchange ratio, and therefore represent potential additional upside for Magic's shareholders.

The exchange ratio was determined following extensive and arm's-length negotiations between Magic's Special Committee and Matrix, conducted in accordance with the negotiation strategy established by the Special Committee and with the objective of maximizing value for Magic's shareholders. The Special Committee concluded that the agreed exchange ratio is fair, reasonable, and in the best interests of the Company and its shareholders.

Based on the foregoing, the structure of the Transaction and the Merger Agreement, including the agreed exchange ratio, were deemed by Magic's Special Committee to represent a fair and reasonable transaction that serves the best interests of the Company and all of its shareholders, particularly the non-controlling shareholders. *The Committee's assessments regarding the potential synergies expected from the Transaction constitute forward-looking information. These assessments are based on the Committee's current evaluation and expectations, and their actual realization depends on future market conditions and potential regulatory or legal changes (including the Risk Factors described below), which are beyond the Company's control. Accordingly, such synergies may not materialize or may differ materially from those currently anticipated.*

The Merger Transaction

Subject to the terms of the Merger Agreement attached to the Proxy Statement as Annex A and the satisfaction of the conditions precedent as set out in section 7 therein, at the effective time of the Transaction, Merger Sub will be merged with and into Magic, such that all its activities, assets, and liabilities will be transferred to Magic. Merger Sub will be dissolved and voided from the Israeli Companies Registrar in accordance with sections 314-327 of the Israeli Companies Law, and Eligible Shareholders of Magic (as defined in the Merger Agreement) will receive, at Closing, in exchange for their Magic shares, the Merger Consideration. Upon completion of the merger, the Magic shares will be delisted from trading on the TASE and NASDAQ, and Magic will become a private company wholly owned by Matrix.

Formula has delivered to the parties a written undertaking by which it undertakes to vote by way of all of its shares in favor of approval of the Merger Transaction and all related resolutions at the general meetings of both Matrix and Magic the agendas of which shall include the approval of the Merger Transaction. Formula has also notified the Magic and Matrix that it shall not sell its shares in Magic or Matrix in a manner that would cause it to cease to be the sole controlling shareholder of Magic and Matrix. Formula's undertaking shall be in force as of the execution of the Merger Agreement and until the earlier of: (a) 15 months from the date of the Merger Agreement, and (b) the completion of the Transaction.

At the effective time of the Transaction and immediately following the completion of the Transaction, each ordinary share of Magic outstanding immediately prior to the effective time of the Transaction will be converted into the right to receive Matrix ordinary shares, all subject to adjustments as may be required. As a result, immediately following the completion of the Transaction, Matrix's securityholders would own in the aggregate 68.875% of the combined company's share capital (on a fully-diluted basis).

Magic currently qualifies as a foreign private issuer, as defined under the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). As a foreign private issuer, Magic is permitted by the SEC to file an annual report on Form 20-F and copies of certain home country materials on Form 6-K in lieu of filing annual, quarterly and current reports on Forms 10-K, 10-Q and 8-K; Magic is exempt from SEC proxy statement requirements and certain SEC tender offer requirements; Magic is permitted to sell securities outside the United States without resale restrictions under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"); U.S. holders of Magic restricted securities may resell such securities to persons outside the United States who receive such securities without resale restrictions under the Securities Act and Magic's affiliates are exempt from Section 16 of the Exchange Act.

For a more complete description of the Transaction, please see the section titled "*The Merger Agreement*" in this proxy statement.

What will happen to Magic if, for any reason, the Transaction does not close?

If, for any reason, the Transaction does not close, the Magic Board may elect to, among other things: (i) attempt to complete another strategic transaction similar to the Transaction described in this proxy statement, provided that such alternative exists; or (ii) continue to operate the business of Magic.

Why are the two companies proposing to merge?

Both companies believe that the Transaction, if completed, will result in a combined company that will be well-positioned to realize substantial growth in the IT and software business, boosting competitiveness in the US and potentially improving business standings and attracting international investors, while continuing to have access to the capital markets for future financing needs. For a more complete discussion of Magic's reasons to enter into the Transaction, please see "*The Transaction - Reasons for the Transaction*."

Why am I receiving these materials?

You are receiving the notice and proxy statement and proxy card because you have been identified as a shareholder of Magic as of the record date, and you are entitled to vote at the Meeting to approve the matters described in this proxy statement. This proxy statement contains important information about the proposed Transaction and the Meeting and you should read it carefully and in its entirety. The enclosed proxy card allows you to authorize a proxy to vote your Magic ordinary shares without attending the Meeting. As promptly as practicable, please complete, sign, date and mail your proxy card in the pre-addressed postage-paid envelope provided (or vote electronically).

What am I voting on?

The following matter is included on the agenda of the Meeting:

Resolution in connection with the approval of the Transaction and related transactions:

“To approve the consummation of the Transaction and the other transactions contemplated by the Merger Agreement, attached as Annex A to this proxy statement, including the issuance of Matrix ordinary shares at the effective time of the Transaction to the securityholders of Magic.”

The proposal will become effective upon consummation of the Transaction.

What is required to complete the Transaction?

To complete the Transaction, the Proposal must be approved at the Meeting, or at any permitted adjournment thereof, by the requisite holders of Magic Ordinary Shares on the record date for the Meeting. In addition to the requirement of obtaining such shareholder approvals, each of the other closing conditions set forth in the Merger Agreement must be satisfied or waived.

Are there any federal or state regulatory requirements that must be complied with or federal or state regulatory approvals or clearances that must be obtained in connection with the Transaction?

In light of the fact that the Company and Matrix are already under the control of Formula, the Transaction does not require approval from the Israel Competition Authority (an exemption from the Israeli Competition Authority has been granted). This fact has significant advantages over possible alternative transactions. However, the Hart-Scott-Rodino Act requires companies to file a pre-merger notification report with the Federal Trade Commission (FTC) and the Department of Justice (DOJ) and the Parties will comply with that requirement, as applicable.

In the United States, Magic must comply with applicable federal and state securities laws, as well as Nasdaq rules and regulations. Prior to consummation of the Transaction, Magic will file an application with Nasdaq, as required by Nasdaq notifying of the delisting, and will file for delisting and de-registration with the SEC. In addition, in connection with the Transaction, Magic has applied for a tax ruling from the tax authorities in Israel indicating that the issuance Magic securities in connection with the Transaction will be exempt from withholding obligations (and such tax ruling is a Condition Precedent under the Merger Agreement as set out in section 7 therein).

Who will be the directors and executive officers of the combined company immediately following the completion of the Transaction?

Magic will become a wholly-owned subsidiary of Matrix, and therefore Magic's Board and Management shall remain at the subsidiary level (subject to any (currently unknown) future changes), and Matrix's Board and Management will supervise and manage at the parent-level of Magic.

The Board of Directors of Matrix is composed of Messrs. Guy Bernstein (Chairman), Eliezer Oren (Vice chairman), Pinhas Greenfield (independent director), Tal Barnoach (external director in accordance with Israeli law) and Ms. Limor Bar On (external director in accordance with Israeli law).

Matrix Management**Chief Executive Officer - Moti Gutman**

Mr. Gutman joined Matrix in 2001. During his time at Matrix, Moti has led its establishment through the merger of five companies, been responsible for the acquisition and merger of over 80 companies into the group and formulated its business strategy. Before that, Moti worked at Liraz Systems for 14 years, holding various software positions within the company, and acting as the company's CEO from 1994-2000. He led the acquisition of Liraz by EDS. Moti served for seven years in the IDF's Mamram unit (Center of Computing and Information Systems). He holds an MBA with a major in strategic management from the Hebrew University of Jerusalem, from which he graduated summa cum laude.

Chief Financial Officer – Nevo Brenner

Mr. Brenner joined Matrix in June 2022 as its Chief Financial Officer. Before joining Matrix, Nevo served in key financial roles with leading Israeli companies – CFO at Energix Renewable Energies LTD (2019-2022), VP Finance & Chief Accountant at the Israel Aerospace Industries LTD (2013-2019) and Chief Accountant at Bezeq – the Israel Telecommunication Corp LTD (2011-2013). Prior to that, he served as Deputy Head of Accounting at the Department of Corporation Finance, Israel Securities Authority. Nevo is a CPA (IL) and holds a MBA degree in Finance and Accounting and Bachelor's degree in Economics & Accounting - both from the Hebrew University.

Chief Technology Officer - Ranit Zexer

Ms. Zexer joined Matrix at its inception in 2001. Before joining the company, she held various managerial and professional positions at Bashan Systems, including working as manager of the Solution Architects Group and manager of the IGT (Internet and Groupware Technologies) group. Ranit served in the IDF's Mamram unit (Center of Computing and Information Systems). She holds a BSc degree, *magna cum laude*, in mathematics and computer science from Bar-Ilan University.

Head of the Legal Department and Secretary - Yifat Givol

Ms. Givol Yifat Joined Matrix in 2001 at its inception, serving as legal counsel in the Legal Department, before becoming the department's manager in 2012. Prior to joining Matrix, Yifat served as legal counsel in the legal department of Formula Systems, and as legal counsel and company secretary for Formula Vision Technologies. Yifat holds an LLB degree and a BA degree in business administration from the IDC Herzliya.

Executive Vice President -

Mr. Mandl joined Matrix in 2002 and currently serves as the company's Executive Vice President. He also holds several other key positions, including CEO of Matrix R&D Services, Offshore, Testing & Automation, Talpiot, Eastern Europe, DevOps, and is a board member of Babcom, Medatech, Medika, and Cambium. Matrix's Business Systems Division and the Professional Services Division also fall under his responsibility. He served as Chief Instructor in the IDF's Mamram unit (Center of Computing and Information Systems) and has a Bachelor's degree in computers and political science from Bar-Ilan University.

Am I entitled to appraisal rights?

Holders of Magic's ordinary shares are not entitled to appraisal rights in connection with the Transaction.

Have Matrix's shareholders adopted the Merger Agreement and approved the Transaction?

A notice of Matrix's Extraordinary General Meeting (EGM) on TASE will be sent concurrently with the mailing for this Extraordinary Meeting of Shareholders. The approval of the Merger Agreement and the Transaction by Matrix's shareholders, by the required special majority (which is identical to the majority required of Magic as described herein), shall constitute a Condition Precedent to the effectiveness of the Merger Agreement, as set forth in Section 7 thereof. The consummation of the Merger is expressly subject to the fulfillment of this Condition Precedent, as well as the approval by Magic's general meeting by the requisite majority.

Will the combined company be required to write down goodwill and other intangible assets relating to Magic's legacy business, in a way which will negatively affect its financial statements?

Since both Magic and Matrix are controlled by the same shareholder (Formula), both companies submitted a pre-ruling request to the Israel Securities Authority (ISA) regarding the accounting treatment of the Transaction. The request sought approval to prepare the financial statements of the combined company (subject to the completion of the Transaction) in accordance with the AS-Polling method, as the Transaction constitutes a business combination under common control. On February 15, 2025, the Israel Securities Authority confirmed this accounting treatment (as published on its website). As a result, no amortization of goodwill is expected in connection with this Transaction.

What are the material U.S. federal income tax consequences of the Transaction to Magic's shareholders?

Generally, for a U.S. person, the U.S. taxation of an investment in a foreign company does not fundamentally change based on whether the shares are held on a U.S. exchange or directly on a foreign exchange. Please see below "*United States Federal Income Taxation*", to understand the general U.S. taxation that may be applicable.

However, holding shares directly on a foreign exchange means you may have a foreign financial account under some circumstances (if you hold the shares through a U.S.-based brokerage firm, it is possible you will not). This may under certain circumstances trigger additional reporting requirements, such as the Report of Foreign Bank and Financial Accounts (FBAR) (FinCEN Form 114) and Form 8938 under the Foreign Account Tax Compliance Act (FATCA), if your total foreign assets exceed certain thresholds.

We also do not address the impact on Magic shareholders if it were deemed to be a passive foreign investment company, or a PFIC, as defined in Section 1297 of the Code. If Magic were deemed to be a PFIC, then the U.S. federal income tax consequences for U.S. taxpayers could be materially worse. Holders of Magic Ordinary Shares are urged to work with their own legal and tax advisors to determine the tax consequences of the Transaction to them based on such holder's own particular circumstances.

Do persons involved in the Transaction have interests that may conflict with mine as a Magic shareholder?

Yes. When considering the recommendation of the Magic Board, you should be aware that certain members of the Magic Board and executive officers of Magic have interests in the Transaction that may be different from, or in addition to, interests you may have as an Magic shareholder. The Magic Board was aware of the following interests and considered them, among other matters, in its decision to approve the Merger Agreement:

- Continued Service with Combined Company. One or more of the current executive officers of Magic may continue to be employed by the combined company in other positions.
- The Merger Agreement includes undertakings in connection with indemnification and liability insurance of Magic's directors and officers subsequent to the consummation of the Transaction.
- One or more of the Magic's executive officers is also an executive officer of Formula (including Mr. Guy Berenstein who is the CEO of Formula and the Chairman of its Board of Directors), and therefore due to the potential for a personal interest, Mr. Berenstein did not participate in the Board meeting at which the Transaction was approved.

Why is Magic seeking shareholder approval in connection with the Transaction?

In order to be able to complete the Transaction, the Merger Agreement provides that Magic needs to perform certain actions that require shareholders' approval under Israeli law. Specifically, such approval is required pursuant to the Israeli Companies Law, as the Transaction constitutes both a "transaction with a controlling shareholder" under Section 275 (in light of Formula's personal interest" in the Transaction as described above) and a merger transaction under Section 314 of the Israeli Companies Law.

Will I be entitled to hold shares in Matrix (combined company) on the Tel Aviv Stock Exchange (TASE)?

Yes. Eligible Shareholders will be entitled to ordinary shares of Matrix, pursuant to the Exchange Ratio. Matrix shares are currently traded on the TASE and therefore, subject to the eligibility, as long as Matrix trades on the TASE (MTRX.TA), you will be entitled to receive these shares to be listed on the TASE.

For US Persons:

Matrix is expected to engage Magic's current transfer agent Equiniti Trust Company, LLC ("EQ") as "Co-Transfer Agent". This will permit EQ to manage the US records for Matrix post-Transaction. There are many Israeli companies with U.S. holders that trade or are traded only on the TASE. Some examples include Africa Israel Residences Ltd. (TASE: AFRE), Alony Hetz Properties & Investments Ltd. (TASE: ALHE), Altshuler Shaham Finance Ltd. (TASE:ALTF), Amot Investments Ltd. (TASE:AMOT) and Aryt Industries Ltd. (TASE:ARYT).

Anytime you will wish to facilitate a trade, you will need to ensure your broker is able to support your request on the TASE. EQ will maintain the DTC capabilities allowing for trades to occur for Eligible Shareholders.

How many votes are needed to approve the proposal?

The following table summarizes the minimum vote needed to approve the proposal:

Proposal Description	Vote Required for Approval
To approve the consummation of the Transaction and the other transactions contemplated by the Merger Agreement, including the issuance of Ordinary Shares at the effective time of the Transaction to the securityholders of Magic and all other transactions contemplated under the Merger agreement (including the purchase by the Company of a “run-off” directors’ and officers’ liability insurance policy for a period of seven years following the effective time of the Transaction).	The affirmative vote of the holders of a majority of the shares present, in person or by proxy, and voting on the matter, provided that at least one of the following “special majority” requirements is met: (i) the shares voting in favor of the matter include at least a majority of the shares voted by shareholders who are not controlling shareholders and who do not have a personal interest in the approval of the proposal or (ii) the total number of shares voted against the proposal by shareholders referenced under (i) does not exceed 2% of the outstanding voting power in the Company.
(1) The term “controlling shareholder” means any shareholder who holds 25% or more of the voting rights in the Company if there is no other shareholder holding more than 50% of the voting rights in the Company.	
(2) Under the Companies Law, a “personal interest” of a shareholder (i) includes a personal interest of the shareholder and any member of the shareholder’s family, family members of the shareholder’s spouse, or a spouse of any of the foregoing, or a personal interest of a company with respect to which the shareholder (or such family member) serves as a director or chief executive officer, owns at least 5% of the shares or has the right to appoint a director or chief executive officer, and (ii) excludes an interest arising solely from the ownership of our Ordinary Shares.	
Under the Companies Law, in the case of a person voting by proxy for another person, “personal interest” includes a personal interest of either the proxy holder or the shareholder granting the proxy, whether or not the proxy holder has discretion how to vote. If you do not have a personal interest in this matter, you may assume that using the form of proxy enclosed herewith will not create a personal interest.	

As a Magic shareholder, how does the Magic Board recommend that I vote?

After careful consideration, the Magic Board unanimously recommends that Magic shareholders vote “FOR” the proposal included on the agenda of the Meeting.

Send of Transmittal Notice

If you are a beneficial owner of Magic’s shares, who holds Magic’s shares directly and not through the name of your broker, bank, trustee or nominee (i.e., your shares are not held in “street name”), you are invited to provide the Company with details of the member account of the stock exchange (including any non-Israeli (foreign) stock exchange member account through which such Magic shares are held) to which you request that the Consideration Shares (as defined under the Merger Agreement) to which you are entitled upon completion of the Merger Transaction be credited, as well as any other information required by applicable law (“Transmittal Notice”). Please send your Transmittal Notice to our Chief Financial Officer, Mr. Asaf Berenstein, at aberenstein@magicsoftware.com.

What risks should I consider in deciding whether to vote in favor of the matters set forth above?

You should carefully review the section of this proxy statement titled “Risk Factors,” which sets forth certain risks and uncertainties related to the Transaction, risks and uncertainties to which the combined company’s business will be subject, and risks and uncertainties to which Matrix, as an independent company, is subject.

When do you expect the Transaction to be consummated?

We anticipate that the Transaction will be consummated as promptly as practicable after the Meeting and following satisfaction or waiver of all closing conditions, but we cannot predict the exact timing. Please review the description of the closing conditions under the Merger Agreement itself ([Annex A](#) translation).

RISK FACTORS

In addition to the other information included in this proxy statement, including the matters addressed under the caption titled “Cautionary Statement Concerning Forward-Looking Statements,” you should carefully consider the following risk factors in determining how to vote at the Meeting. The following is not intended to be an exhaustive list of the risks related to the Transaction and you should read and consider the risk factors described under Part 1, Item 3, “Key Information - Risk Factors” of Magic’s Annual Report on Form 20-F for the year ended December 31, 2024, which is on file with the SEC and incorporated herein by reference.

Risks Related to the Transaction

The issuance of Matrix’s ordinary shares to Magic shareholders in connection with the Transaction will substantially dilute the relative voting power of current Magic shareholders, and as a result the Magic shareholders will exercise substantially less influence over the management of the combined company following the completion of the Transaction.

Following the closing of the Transaction, Magic’s current shareholders will own approximately 31.125% of the combined company’s outstanding share capital, on a fully-diluted and as-converted basis, and existing Matrix shareholders will own approximately 68.875% of the combined company’s share capital on a fully-diluted and as-converted basis.

Accordingly, the issuance of Matrix ordinary shares to Magic’s shareholders in connection with the Transaction will significantly reduce the relative voting power of each ordinary share held by current Magic shareholders, and the existing Magic shareholders will hold a minority stake in the combined company. In addition, it is possible, that all members of the board of directors of the combined company (including the outside directors) are expected to be the existing directors of Matrix, and Magic will be a private subsidiary. Consequently, Magic’s shareholders will exercise substantially less influence over the management and policies of the combined company than they currently exercise over the management and policies of Magic.

Magic shareholders may not realize a benefit from the Transaction commensurate with the ownership dilution they will experience in connection with the Transaction.

If the combined company is unable to realize the full strategic and financial benefits anticipated from the Transaction, Magic shareholders will have experienced substantial dilution of their ownership interests without receiving any commensurate benefit, or only receiving part of the commensurate benefit to the extent the combined company is able to realize only part of the strategic and financial benefits currently anticipated from the Transaction.

The conditions under the Merger Agreement to Matrix's consummation of the Transaction may not be satisfied at all or in the anticipated timeframe.

The obligation of Magic to complete the Transaction is subject to certain conditions, including the approval by shareholders, the accuracy of the representations and warranties contained in the Merger Agreement, subject to certain materiality qualifications, compliance by the parties with their respective covenants under the Merger Agreement, no law or order preventing the Transaction and other customary closing conditions. Magic cannot assure you that all of the conditions will be satisfied or waived. If the conditions are not satisfied or waived, the Transaction may not occur or will be delayed, and Magic and Matrix each may lose some or all of the intended benefits of the Transaction.

The pendency of the Transaction or failure to consummate the Transaction could have an adverse effect on Magic's financial results, future business and operations, as well as the market price of Magic's ordinary shares.

The pendency of the Transaction, or the failure to consummate the Transaction, could disrupt Magic's business. Among other things, the attention of Magic's management may be directed toward the completion of the Transaction and related matters and may be diverted from other opportunities that might otherwise be beneficial to Magic. Should they occur, any of these matters could adversely affect Magic's financial condition, results of operations or business prospects.

The completion of the Transaction is subject to a number of closing conditions, including the approval by Magic's shareholders, approval by the Tel Aviv Stock Exchange, and approval/notice of DOJ/FTC for antitrust issues in the US (Magic and Matrix received an exemption from the Israeli Competition Authority from the requirement to obtain merger approval, as they are both held by the same controlling shareholder). There can be no assurance that the conditions to the closing of the Transaction will be satisfied. If the Transaction is not closed, Magic will be subject to several risks, and its share price could be adversely affected, as follows:

- most of the fees and expenses in connection with the Transaction, such as legal, accounting and other payments to advisors, must be paid even if the Transaction is not completed;

- the Magic Board would need to reevaluate Magic's strategic alternatives, many of which may be less favorable to shareholders;
- Magic would not realize any of the anticipated benefits of having completed the Transaction;
- the price of Magic's ordinary shares may decline and be volatile;
- Magic could be subject to litigation related to any failure to consummate the Transaction or any related action that could be brought to enforce Magic's obligations under the Merger Agreement; and
- Magic's collaborators and other business partners and investors in general may view the failure to consummate the Transaction as an unfavorable reflection on its business or prospects.

In addition, if the Merger Agreement is terminated and the Board determines to seek another business combination, there can be no assurance that it will be able to find a transaction that is superior or equal in value to the Transaction.

Magic has incurred and expects to continue to incur substantial transaction-related costs in connection with the Transaction.

Magic has incurred, and expects to continue to incur, a number of non-recurring transaction-related costs associated with the Merger Agreement, completing the Transaction and combining the two companies, which cannot be accurately estimated at this time. These fees and costs have been, and will continue to be, substantial. Non-recurring transaction costs include, but are not limited to, fees paid to legal, financial and accounting advisors. Additional unanticipated costs may be incurred in the combined company's business, which may be higher than expected and could have a material adverse effect on the combined company's financial condition and operating results.

Even if the Transaction is consummated, the combined company may fail to realize the anticipated benefits of the Transaction.

The success of the Transaction will depend on the combined company's ability to achieve its business objectives. If the combined company is not able to achieve these objectives, the anticipated benefits of the Transaction may not be realized fully, may take longer to realize than expected, or may not be realized at all.

The post-closing ownership percentage of Magic's shareholders will not be adjusted in the event of any change in Matrix's share price or the value of Matrix's ordinary shares.

The post-closing ownership percentage of Magic's shareholders provided in the Merger Agreement and described under "*The Transaction - Consideration*" will not be adjusted for changes in the market price or value of either Magic's ordinary shares or Matrix's ordinary shares. The price of Magic ordinary shares at the closing of the Transaction may vary from the price on the date the Merger Agreement was executed and the date of the Meeting. As a result, the market value of the merger consideration will also vary. For example, if before completion of the Transaction the market price of Magic's ordinary shares increases from the market price on the date of the Merger Agreement, then Matrix's securityholders will receive consideration in connection with the Transaction that is considerably more valuable than the consideration the parties had negotiated at the time they entered into the Merger Agreement.

Share price changes may result from a variety of factors (many of which are beyond our or Matrix's control), including the following:

- changes in Magic's and Matrix's respective businesses, operations and prospects, or market assessments;
- market assessments regarding the likelihood that the Transaction will be completed; and
- general market and economic conditions and other factors generally affecting the price of Magic's ordinary shares or the value of Matrix's ordinary shares.

The officers and directors of Magic may have interests in the Transaction that are different from yours and that may influence them to support or approve the Transaction without regard to your interests.

Some of the officers of Magic may participate in arrangements that provide them with interests in the Transaction that are different from yours. These interests, among others, may influence the officers and directors of Magic to support or approve the Transaction. For more information concerning the interests of Magic officers and directors, see also above "*Do persons involved in the Transaction have interests that may conflict with mine as a Magic shareholder?*"

The Transaction may be completed even though material adverse changes may result from the announcement of the Transaction, industry-wide changes and other causes.

In general, either party can refuse to complete the Transaction if there is a material adverse change affecting the other party following November 3, 2025, the date of the Merger Agreement and before the later of (a) the date of convening of the general meeting of the Magic and Matrix (the later of the two), and (b) subject to the Magic and Matrix mutual agreement regarding the occurrence of a Material Adverse Change, the date of receipt of the final regulatory approval required for completion of the transaction (other than receipt of the merger certificate from the Israeli Registrar of Companies). However, some types of changes do not permit either party to refuse to complete the Transaction, even if such changes would have a material adverse effect on Magic or Matrix (as described in the Merger Agreement).

If adverse changes occur but Magic and Matrix must still complete the Transaction, the combined company's market price may suffer.

The market price of the combined company's shares may decline as a result of the Transaction.

The market price of the combined company's shares may decline as a result of the Transaction for a number of reasons, including if:

- the combined company does not achieve the perceived benefits of the Transaction as rapidly or to the extent anticipated by financial or industry analysts;
- the effect of the Transaction on the combined company's business and prospects is not consistent with the expectations of financial or industry analysts; or
- investors react negatively to the effect on the combined company's business and prospects from the Transaction.

During the pendency of the Transaction (from the date of execution of the Merger Agreement until the completion of the Merger Agreement or the lawful termination of the agreement), Magic will be subject to contractual limitations set forth in the Merger Agreement, including contractual limitations that restrict its ability to enter into transactions which are not in the ordinary course of business.

Covenants in the Merger Agreement impede the ability of Magic to make acquisitions or complete other transactions or perform certain actions that are not in the ordinary course of business pending completion of the Transaction. In addition, while the Merger Agreement is in effect and subject to limited exceptions, each party is prohibited from soliciting, initiating, encouraging or taking actions designed to facilitate any inquiries or the making of any proposal or offer that could lead to the entering into certain extraordinary transactions with any third party, such as a sale of assets, an acquisition of such party's securities, a tender offer for such party's securities, a merger or other business combination outside the ordinary course of business. Any such transactions could be favorable to such party's shareholders.

Certain provisions of the Merger Agreement include a mechanism that, under specific conditions stipulated in the agreement, allows Magic to enter into alternative takeover or business combination proposals with third parties, including proposals that may be superior to the arrangements contemplated by the Merger Agreement.

If the board of directors of the relevant company determines, before the general meeting is convened to approve the Transaction, because a superior purchase offer has been received that is not due to a breach of the Agreement, the board of directors of the relevant company will be entitled to publicly withdraw its decision to approve the Transaction in accordance with the Agreement, and to approve or recommend supporting the superior purchase offer. This will be possible only if the relevant company provides the other party with at least five business days' prior notice of the board's intention to adopt a resolution to modify the board's resolution and terminate the merger agreement as a result of receiving a superior purchase offer, and provided that the relevant company allows a negotiation period of seven business days with the other party for the purpose of conducting negotiations between the parties to amend the terms of the merger agreement. After this period, if the board of directors of the relevant company determines that even after the updated proposal of the other party, the counter-proposal is still preferable, the relevant company shall be entitled to terminate the merger agreement subject to the payment of termination fees to the other party.

The termination fee, in the amount of NIS 35,000,000, shall be paid within seven business days from the date of the change in the board of directors' decision, whether or not the superior purchase transaction has been completed.

Matrix's shareholders will own a significant percentage of Magic's Ordinary Shares following the Transaction and will be able to exert significant control over matters submitted to the shareholders for approval.

Under the terms of the Merger Agreement, on a pro-forma basis and after closing of the Transaction, Matrix's securityholders would own in the aggregate 68.875% of the combined company's share capital (on a fully-diluted and as-converted basis). This is further described below in the section titled "*The Merger Agreement - Consideration and Exchange Ratio.*" The interests of these shareholders may not always coincide with the interests of other shareholders.

Following consummation of the Transaction Magic or the combined company may become involved in securities litigation or shareholder derivative litigation in connection with the Transaction, and this could divert the attention of Magic's and the combined company's management and harm the combined company's business, and insurance coverage may not be sufficient to cover all related costs and damages.

Securities litigation or shareholder derivative litigation frequently follows the announcement of certain significant business transactions, such as the sale of a business division or announcement of a business combination transaction. Matrix may become involved in this type of litigation in connection with the Transaction, and the combined company may become involved in this type of litigation in the future. Litigation often is expensive and diverts management's attention and resources, which could adversely affect the business of Magic, Matrix and the combined company.

Additional Risks Related to Matrix's Business

Technological developments and changes in the IT field may impact Matrix's Business

Matrix's success depends on its ability to maintain the technological relevance of the solutions it offers to its customers, and to develop or enter into agreements with foreign suppliers regarding new software systems and solutions that keep pace with the increasingly rapid technological advancements, the evolving IT landscape, and the frequent changes in customer needs. There is no certainty that Matrix will be able to acquire the necessary expertise in new technologies in a timely manner or to enter into agreements related to such systems and solutions, including, but not limited to, identifying leading software suppliers and developing expertise and knowledge centers at the appropriate time to successfully meet the demand for new technologies and/or the evolving requirements of its customers. Delays or failures in developing, adopting, or adapting appropriate solutions to technological changes and evolving market demands may negatively impact Matrix's business results.

Most of the Matrix's business activity is in Israel, and most of the Matrix's revenues are derived from its operations in Israel

More so than Magic, most of Matrix's activity is in Israel, and most of Matrix's revenues are derived from its operations in Israel. Economic slowdown and uncertainty in the market, political, whether due to an economic recession or any other factor affecting economic activity in Israel, including an increase in inflation and interest rates, may lead to reduced demand, cuts in activity volumes and IT procurement budgets, and cost reductions by some of Matrix's customers. This in addition to the struggles and challenges unique to Israel's regional conflicts with Hamas, Iran, Hizballah or the Houthis. Issues may include project suspensions, workforce reductions, recruitment of Matrix's employees by its customers, rate reductions, decreased demand for software and hardware products, and other cutbacks, which could adversely affect Matrix's business results. Additionally, a worsening of the geopolitical situation and a deterioration in Israel's global standing, should they occur, may lead Matrix's partners (such as equipment or software manufacturers) to refrain from conducting business with Israel, including doing business with Matix.

Additionally, a recession or economic downturn may impact the ability of some of Matrix's customers to pay their debts to Matrix and may lead to financial difficulties among customers, thereby increasing Matrix's bad debt balance and negatively affecting its cash flow. If interest rates in the market remain high for an extended period, they may adversely affect Matrix's operating results by increasing its financing costs. In addition, to the extent that these will subsequently lead to a recession and economic slowdown in Israel, these are liable to lead to a reduction in demand and even damage to some of Matrix's customers and, as a result, damage to Matrix's operating results.

The IT market in the United States

The IT market in the US is directly affected by the economic and political developments in the US economy. Any economic uncertainty or downturn in the US economy (e.g., due to expected impacts of tariff increases and/or trade wars following the new US administration's policies on interest rates) could affect demand in the US IT market and, consequently, negatively impact Matrix's business results in the US. Additionally, a negative economic trend in the US could impair the performance of Matrix's customers in the region, potentially harming Matrix's business in the US, increasing its bad debt exposure from US customers, and negatively affecting its cash flow. Additionally, if the new US administration eases or even repeals certain financial regulations, this may reduce demand for traditional GRC systems, particularly in the areas of anti-money laundering and fraud prevention, potentially leading to a decline in demand for Matrix's GRC services in the US.

Change in the dollar exchange rate

Changes in the exchange rate of the U.S. dollar and its volatility, both within and between years, impact the Matrix's business results, particularly profitability in the Software Solutions and Services segment in the U.S.

Such changes also affect certain activities in Matrix's Software Sales, Marketing, and Support segment (as most software product prices are denominated in US dollars) and the Cloud and Computing Infrastructure segment. Additionally, exchange rate fluctuations influence translation adjustments related to the financial statements of Matrix's US subsidiaries.

Human capital

A shortage of workers in the technology sector particularly in new technologies that serve as Matrix's growth drivers, creates challenges in recruiting and retaining the necessary workforce. This leads to increased costs for the Matrix in sourcing and hiring employees to meet market demands, as well as in retaining existing employees. The rising cost of living may lead to increased pressure for wage demands. Accordingly, Matrix's may be required to bear higher salary costs and invest more in various tools and unique solutions for both recruiting new employees and retaining existing ones. All of these may lead to an erosion of Matrix's profitability and damage to its ability to provide its services to its customers, its growth rate, and its business.

Mergers and acquisitions

An important part of Matrix's business strategy is expansion through mergers and acquisitions. Matrix may, from time to time, compete for purchase and investment opportunities with established companies, whose financial means at their disposal exceed Matrix's own means. This risk has increased in light of the growing trend in the scope of investments by private equity funds and those of the Big-4 accounting firms (which benefit from financial resources in large volumes) in IT companies. Furthermore, the global trend of the increase in interest rates in the economy increases the effective cost of the purchases, in light of the increase in the financing costs associated with them. In addition, there is no certainty that Matrix will be able to locate potential purchase or investment opportunities, in Israel or abroad that are suitable for its goals and at appropriate prices in its view. Also, mergers of acquired companies are complex and may fail. In all of the aforementioned cases, Matrix's ability to expand and grow may be impaired, and it may even incur losses due to unsuccessful acquisitions.

Competition

The fierce competition in most of Matrix's areas of activity as well as the low barriers to entry in some of the Matrix's areas of activity, can lead to a reduction in the scope of Matrix's commitments and/or to lower prices which may lead to an erosion of Matrix's profits.

Cyber and information security

Matrix's activity is based on information systems and digital information of various types, including that of employees, suppliers and customers of the Matrix (and their customers). In recent years, there has been a significant increase in the frequency and severity of cyber incidents (including cyber crime, identity thefts, and ransomware attacks), particularly against Israeli entities and companies. This trend is expected to continue in the future and may even worsen (including due to the Iron Swords War), despite all the defense mechanisms employed against it. Artificial intelligence (AI) technologies also exacerbate risks, as they enable attackers to create personalized attacks, enhance phishing techniques, forge identities using deepfake technology, and improve hacking and intrusion capabilities into organizational systems. Cyber incidents may lead to unauthorized access, unauthorized exposure, abuse, disruption, deletion or modification of the information of the Company and its customers, ransom attacks, and may disrupt current activity, harm computing services, significantly slow them down, and even disable the Company's information systems and development projects. In the event of damage to Matrix (or to the Matrix's customers or suppliers) as a result of such cyber attacks, Matrix may suffer negative consequences, including disruption of the activity of the Matrix and/or of customers to whom Matrix provides services, disruption of the operation of the Matrix's information systems or their shutdown, impairment to development projects being performed by Matrix's, theft of information of Matrix's and/or of its customers', information leakage, damage to customer trust in Matrix's may lead to harm to its reputation, exposure to lawsuits and regulatory procedures,

Technological developments and changes in the IT field

Matrix's success depends on its ability to maintain the technological relevance of the solutions it offers to its customers, and to develop or enter into agreements with foreign suppliers regarding new software systems and solutions that keep pace with the increasingly rapid technological advancements, the evolving IT landscape, and the frequent changes in customer needs. There is no certainty that Matrix will be able to acquire the necessary expertise in new technologies in a timely manner or to enter into agreements related to such systems and solutions, including, but not limited to, identifying leading software suppliers and developing expertise and knowledge centers at the appropriate time to successfully meet the demand for new technologies and/or the evolving requirements of its customers. Delays or failures in developing, adopting, or adapting appropriate solutions to technological changes and evolving market demands may negatively impact Matrix's business results.

Technological developments in the field of artificial intelligence (AI)

Matrix operates in a dynamic technological environment characterized by rapid changes, particularly in the field of artificial intelligence (AI), which has undergone dramatic developments over the past year. While the integration of AI technologies presents opportunities to enhance Matrix's services and products for its customers, thereby increasing demand, it also poses significant risks. There is a risk that Matrix may fail to keep pace with technological advancements, which could impair its competitive ability, lead to customer and revenue loss, and result in decreased demand for the traditional services its customers currently purchase due to the increasing use of AI tools. Additionally, the use of AI solutions presents regulatory and ethical challenges, such as requirements for transparency, privacy, and information security. Regulatory changes may require Matrix to incur additional expenses to comply with new requirements and may even restrict the use of these technologies. Uncontrolled reliance on AI systems in business and operational decision-making may expose Matrix's to risks arising from errors in algorithmic models, data biases, or security vulnerabilities. All of these may result in financial losses, damage to Matrix's reputation, and even legal claims against Matrix. Additionally, systemic errors that may occur during the operation or implementation of AI systems could lead to inaccurate or incorrect findings, undermine system reliability, create information security breaches, and increase exposure to cyber threats. These risks may result in operational, financial, or legal damages for Matrix's customers and third parties relying on Matrix's outputs.

Matrix invests resources in monitoring and overseeing AI developments and in establishing processes for managing technological and regulatory risks. However, there is no certainty that these measures will fully prevent the realization of these risks. Therefore, Matrix's exposure to risks associated with rapid technological advancements and the use of AI may adversely affect its operating results, financial position, reputation, and competitive standing in the market.

Migration to Cloud solutions

Opportunities are opening up for Matrix to market new cloud-based software products and solutions, but, in many cases, these are substitutes for "traditional" solutions of software products, which are also marketed by Matrix. In the event that the extent of the decrease in demand for Matrix's services, due to a transition to cloud solutions, exceeds the extent of the growth resulting from the cloud services marketed by Matrix, Matrix's business results may be adversely affected. In addition, the gross margins of the cloud solutions supplied by Matrix to its customers are often lower than those of the "traditional" solutions provided by Matrix in the past, and which were replaced by the cloud solutions. As a result, Matrix's profitability may be eroded.

Centrality of the banking, financial services, insurance, and high-tech customer sector

Matrix is not materially dependent on any single customer; however, it considers the banking, financial services, insurance, and high-tech sectors to be significant to its operations (in the banking/financial sector, both in Israel and the US). If Matrix's engagement with some of its customers which are among the largest in these sectors is terminated at the same time, or if the extent of its activities with some of its customers in these sectors is significantly reduced, or if there is a slowdown in the rate of recruitment of new customers in these sectors by Matrix, or if the terms of engagement with these customers materially change for the worse, or if there is a significant deterioration in some of these sectors that lead to a reduction in its IT demands, the results of Matrix's activities are liable to be adversely affected as a consequence.

A significant part of Matrix's activity is conducted on the basis of government tenders.

Delays in the approval of the state budget or budget reallocations and/or cuts, including due to increased defense expenditures and/or political instability and/or reductions in future state budgets, may lead to a decrease in government IT budgets as well as in other areas of Matrix's activities with the government. The resulting reduction in the scope of government tenders and/or the failure to renew Matrix's engagements in a number of government tenders and/or Matrix's failure to win a number of substantial tenders, may impair Matrix's revenues or create a need to submit offers with lower profit margins and result in impairment to Matrix's business results.

Contractual engagements with customers on a fixed price basis

An increasing part of Matrix's income is derived from contracts on a fixed-price basis. The pricing for these engagements is based on an estimate of future costs. In cases where Matrix does not accurately estimate the resources required to carry out projects at a fixed price, and/or does not correctly estimate the costs of employee wages during those projects (including expected salary increases during the project) and/or its ability to complete its obligations on time established for this, may adversely affect Matrix's business results. This risk will increase in direct proportion to the increase in the scope of fixed-price projects carried out by Matrix, in light of Matrix's tendency to expand its project activities. A similar risk, albeit to a lesser extent, also exists in respect of the expansion of the activities of the services managed by Matrix.

Contractual engagements with clients for the provision of professional services

In recent years, there has been a growing trend of customers replacing professional services (PS) in the IT field, based on time and materials (T&M) pricing, for engagements based on managed services (outsourcing), which are based on defined product specifications (SOW) and fields. If Matrix does not manage to adjust to this trend in the professional services market, while reducing the impairment to commitments for professional services on the one hand, and increasing contracts with its customers based on managed services on the other hand, the Matrix' business results may be adversely affected.

Dependence on suppliers and software manufacturers

Matrix has no material dependence on any supplier. However, if Matrix's engagement with a number of its major suppliers is terminated at the same time and/or if the terms of the commitment with these suppliers are substantially altered, and/or if those suppliers or software manufacturers expand their direct activity in the local market, including directly providing competing services for the services that Matrix provides to its customers in connection with their products, and/or they appoint additional distributors, and/or the status of those suppliers is harmed, and/or if they are purchased by a competitor, and/or if their activity is discontinued for any reason, the results of Matrix's activity may be adversely affected as a consequence. In addition, some of Matrix's professional services to its customers, both in Israel and in the US, are based on software products of leading software manufacturers and on Matrix's business relationships with those software manufacturers. The termination of Matrix's contract with those software manufacturers and/or a significant deterioration in the contract terms of Matrix against them may lead to direct impairment in the scope of Matrix's professional services, based on the software products of those companies, and adversely affect Matrix's business results.

Supply chain delays and chip shortages

In recent years, disruptions in global supply chains have intensified. After a period of relative stabilization, these disruptions have worsened due to Houthi threats and attacks on ships in the Red Sea, leading to delays in delivery schedules alongside a sharp increase in transportation costs, particularly in maritime shipping. As a result, there has also been a shortage of electronic chips (semiconductors). The combination of the two trends noted above mainly affects the activity of Matrix's cloud and computing infrastructures sector and may lead to delays in the supplies of the equipment ordered by customers of Matrix in this sector, as well as an increase in the prices of equipment. If these trends of supply delays and rising maritime transportation costs persist, they may hinder Matrix's ability to meet customer demand, cause delivery delays, and/or increase procurement costs. Consequently, this could negatively impact the business results of Matrix's cloud and computing infrastructure segment.

Entry into new areas of activity Matrix' business growth strategy is based, among other things, on entry into new technological areas and new areas of activity, as well as on expansion into tangential areas of activity, which have significant business potential for continued growth over time. Matrix does not have many years of cumulative experience, and as a result, Matrix may incur losses due to difficulties entering such new areas, which will lead to impairment to Matrix's business results.

Legal and insurance risks.

Due to the complex nature of some of the Matrix's engagements, particularly in projects involving the development of systems and software solutions and the management of complex infrastructure projects, Matrix is exposed to legal proceedings initiated by its customers and/or suppliers. Matrix is taking steps to mitigate such risks, both through the terms of the contract and the limitation of its liability in agreements with its customers, through the purchase of general liability and professional liability insurance, and through strict management of the projects it carries out and the services it provides. If legal claims are brought against Matrix and it is found liable legal proceedings brought against it as a result in an amount that exceeds the amount of its insurance coverage, or in the event that changes are introduced in to its insurance policies, Matrix's business results are liable to be adversely affected. Additionally, involvement in such legal proceedings may entail significant legal expenses for Matrix, which could negatively impact its business results. In addition, the software manufacturers with which Matrix has contracted have limited their liability in the commitment agreements with them for damages caused to the end-user of these products. In the event that Matrix is found liable for damages caused as a result of products marketed by it or as a result of projects and services performed by it, Matrix's business results may be adversely affected. Furthermore, professional insurance costs have been on a sharp upward trend for several years. Since Matrix seeks to maintain adequate insurance coverage for its activities, its expenses are expected to increase and adversely affect Matrix's business results.

Risks Related to the Combined Company

Maintaining and improving the combined company's financial controls and the requirements of being a public company in Israel may strain the combined company's resources, divert management's attention.

As a public company, the combined company will be subject to the reporting requirements of the Tel Aviv Stock Exchange and those are substantially different than Nasdaq rules. While Matrix already complies with these rules, Magic's shareholders are not accustomed to them, since as a dual-listed company, Magic was able to mostly rely on US securities rules. If the Transaction is consummated, the combined company will remain a publicly traded company on the TASE and revert to being subject to full Israeli securities laws and disclosure requirements. Accordingly, the combined company will need to comply with Israeli disclosure requirements (including in relation to Magic's operations), and these different reporting requirements may increase the combined company's legal and financial compliance costs and require significant additional management time.

You may encounter difficulty and costs related to lack of liquidity and flexibility of having your shares traded on TASE.

For U.S. persons, the TASE is a foreign exchange and listing your shares and maintaining and executing trades may prove difficult, rather than on the familiar U.S.-based Nasdaq. Anytime you will wish to facilitate a trade, you will need to ensure your broker is able to support your request on the TASE.

Also, in general, and not specifically related to Magic or Matrix, the Nasdaq market has significantly higher overall liquidity compared to the TASE, driven by its much larger market capitalization, higher daily trading volumes, and status as a major global financial hub. In contrast, the TASE is a smaller, regional exchange. However, considering that the combined market capitalization of the combined company is expected to be much higher than Magic's current market cap, it is possible that it will actually significantly improve liquidity of your holdings.

Sales of a substantial number of shares of the combined company in the public market by its existing shareholders could cause its share price to decline.

Sales of a substantial number of shares of the combined company in the public market, or the perception that these sales might occur, could depress the market price of its securities and could impair its ability to raise capital through the sale of additional equity securities. Magic is not able to predict the effect that sales may have on the prevailing market price of the combined company's securities.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This proxy statement, including information set forth or incorporated by reference in this document, contains statements that constitute forward-looking information statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, without limitation, statements regarding the expected timetable for completing the Transaction, the satisfaction or waiver of any conditions to the Transaction, anticipated benefits, growth opportunities and other events relating to the Transaction, Magic's, Matrix's and the combined company's plans, objectives and expectations for future operations, including its projected results of operations and statements contained in "Questions and Answers About the Transaction" and "The Transaction" and in statements containing words such as "believes," "estimates," "anticipates," "intends," "continues," "contemplates," "expects," "may," "will," "could," "should," or "would" or other similar words or phrases. These statements, which are based on information currently available to Magic, are not guarantees and involve risks and uncertainties that could cause actual results to materially differ from those expressed in, or implied by, these statements, including those described under "Risk Factors" and in Magic's filings with the SEC that are incorporated herein by reference. We cannot guarantee any future results, including with respect to the Transaction. Readers should not place undue reliance on forward-looking statements. These forward-looking statements speak only as of the date on which the statements were made and we expressly disclaim any obligation to release publicly any updates or revisions to any forward-looking statement included in this proxy statement or elsewhere, except as required by law.

THE TRANSACTION

This section and the section entitled "The Merger Agreement" in this proxy statement describe the material aspects of the Transaction, including the Merger Agreement. Although Magic believes that this description covers the material terms of the Transaction and the Merger Agreement, it may not contain all of the information that is important to you. You should read carefully this entire proxy statement for a more complete understanding of the Transaction and the Merger Agreement, including the translated Merger Agreement attached as Annex A, and the other documents to which you are referred herein.

Historical Background of Magic

Our legal and commercial name is Magic Software Enterprises Ltd., and we were organized and registered in Israel on February 10, 1983 and began operations in 1986. Together with our subsidiaries we are a global provider of: (i) software services and information technologies outsourcing software services; (ii) proprietary application development and business process integration platforms; (iii) selected packaged vertical software solutions, as well as (iv) cloud-based services for end-to-end digital transformation.

Our software technology is used by customers to develop, deploy and integrate on-premise, mobile and cloud-based business applications quickly and cost effectively. In addition, our technology enables enterprises to accelerate the process of delivering business solutions that meet current and future needs and allow customers to dramatically improve their business performance and return on investment.

As part of our software services and IT outsourcing services, we offer to hundreds of customers mainly in Israel and in North America an extensive portfolio of professional services in the areas of infrastructure design and delivery, application development, technology consulting planning and implementation services, integration projects, project management, software testing and quality assurance, engineering consulting (including supervision of engineering projects), support services, cloud, cyber, digital, data and DevOps, all according to the specific needs of the customer, and in accordance with the professional expertise required in each case with the goal to create significant value for our clients in managing, streamlining, accelerating and helping their businesses thrive.

In addition, we offer a variety of proprietary comprehensive packaged software solutions through certain of our subsidiaries for:

- enterprise-wide and fully integrated medical platform (“Clicks”), specializing in the design and management of patient-file oriented software solutions for managed care and large-scale health care providers. This platform aims to allow healthcare service providers to securely access an individual’s electronic health record at the point of care, and it organizes and proactively delivers information with potentially real time feedback to meet the specific needs of physicians, nurses, laboratory technicians, pharmacists, front and back-office professionals and consumers;
- enterprise management system for both hubs and traditional air cargo ground handling operations from physical handling and cargo documentation through customs, seamless electronic data interchange, or EDI communications, dangerous goods, special handling, track and trace, security to billing (“Hermes”);
- enterprise human capital management, or HCM, solutions, to facilitate the collection, analysis and interpretation of quality data about people, their jobs and their performance, to enhance HCM decision making (“HR Pulse”);
- comprehensive system for managing broadcast channels in the area of TV broadcast management through cloud-based on-demand service or on-premise solutions;
- comprehensive solution for sales and distribution field activities, such as order taking, route accounting, trade marketing, retail execution, proof of deliveries and B2B E-commerce (“Mobisale”); and
- comprehensive solution for efficient management of all types of rehabilitation centers (“Nativ”). Selected by many of the largest rehabilitation and treatment centers in Israel, Nativ serves as a comprehensive solution, the largest and most specialized and equipped system in Israel, with all the capabilities required for operating all aspects of organizations engaged in rehabilitation and treatment. Nativ enables control of all levels of rehabilitation bodies, including monitoring detailed rehabilitation plans, finance, collection, account management, recruitment, working hours, asset management, employment, medical files and management of large organization.

Based on our technological capabilities and our specialists, our software solutions and software services enable our clients to respond to rapidly evolving market needs and regulatory changes, while improving the efficiency of their core operations. We have approximately 3,800 employees, who serve our clients at any given time and whose skills and specialization are a significant source of competitive differentiation. We operate through a large network of independent software vendors, or ISVs, who we refer to as Magic Software Providers, or MSPs, and hundreds of system integrators, distributors, resellers, and consulting and OEM partners. Thousands of enterprises in approximately 50 countries use our products and services.

Historical Background of Matrix

Matrix IT Ltd., together with its subsidiaries, is a company operating in the fields of Information Technology (IT) Solutions and Services, Consulting, and Management in Israel and overseas. Matrix employs approximately 12,000 software, hardware, engineering, integration, and training personnel, who provide services in advanced fields of Information Technology and Management to hundreds of customers in the Israeli market, as well as customers in the US market, while specializing in the areas of banking and finance, government and the public sector, security, transportation, high-tech and startups, health, industry, retail and trade, education and academia. Matrix is also engaged in the sale and marketing of software and hardware products from a wide range of manufacturers from Israel and around the world, as well as in the provision of consulting services, project management and multidisciplinary engineering consulting.

The solutions, services, and products provided by Matrix are designed to enhance its customers' competitiveness in the markets in which they operate by addressing their unique needs in the fields of IT, operational optimization and in the field of management and engineering.

Matrix was incorporated in Israel in September 1989 and is a publicly traded company whose shares were listed for trade on the Tel Aviv Stock Exchange.

Matrix is engaged in four (4) areas of activity: (1) Information Technology Solutions and Services, Consulting, and Management in Israel; (2) Information Technology Solutions and Services in the United States; (3) Sales, Marketing, and Support of Software Products; and (4) Cloud and Computing Infrastructures-which provide solutions, services, and products mainly to the following customer sectors: banking and finance, high-tech and startups, government and the public sector, defense, transportation, health, industry, retail and trade, education and academia. Separate divisions operate in each one of these sectors, specializing in providing specific solutions to the particular sector in which they operate, as well as managing and carrying out projects for the departments across Matrix. The specialization in the various sectors is reflected in the applicative, professional, and marketing facets of that sector.

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

Information Technology Solutions and Services, Consulting, and Management in Israel

This activity includes a wide range of technological and other solutions and services in the areas of enterprise core systems, Data and AI, cybersecurity, digital solutions, and more. Among these solutions, Matrix engages in the development of large-scale technological systems and the provision of related services, the execution of IT and software integration projects, and the development of operational solutions and systems - C4ISR for security organizations in Israel and worldwide, outsourcing services, professional services by experts and consultants, offshore/nearshore services, BPO and Call Center services, software project management, software development, software testing and QA, enhancement and upgrading of existing technological systems, as well as training and implementation services. In addition, this activity includes management consulting and multidisciplinary engineering and operational consulting services, including supervision of complex engineering projects, particularly infrastructure projects in the transportation sector.

IT Solutions and Services in the United States

This activity is carried out through two branches, Matrix US Holding and Xtivia, each of which owns several subsidiaries in the United States. The activity includes providing solutions and expert services in the fields of Government, Risk & Compliance (GRC), fraud prevention, cyber risk mitigation, and anti-money laundering, as well as specialized advisory services in these areas. Additionally, it includes specialized IT services for the healthcare sector. This area of activity also includes the provision of specialized technological solutions and services in the fields of portals, BI, CRM, DBA and EIM, dedicated solutions for the US government contracting market, software product distribution and marketing services, and professional services and offshore solutions, including through employees in Matrix operational centers in India. The operations also include professional services and projects carried out by experts from across Matrix, serving as a gateway to the business model of exporting Matrix's services and products to the U.S. market.

Sales, Marketing and Support of Software Products;

This activity primarily includes the sale and distribution of software products (mainly from foreign software manufacturers) across various fields, such as control and monitoring products, cybersecurity, communication solutions, virtualization, knowledge management products, databases and Big Data, open-source systems, and IT management products. It also includes providing professional support services for these products, as well as implementation projects, training, support, and maintenance for integrated products and systems.

Cloud and Computing Infrastructures

Matrix's activity in this area primarily includes providing a wide range of cloud solutions and services, including sales, service, and support for public cloud (PaaS, SaaS, IaaS) and private cloud at all implementation stages - consulting, architecture, development, deployment, environment management, and support - as well as advanced FinOps services (through the Matrix's specialized business unit, CloudZone). It also includes computing solutions for IT infrastructure, communication solutions, marketing and sales of hardware, software licenses, and peripheral equipment for business customers, along with related professional services. Additionally, Matrix offers multimedia solutions and command-and-control centers for smart offices, office automation and printing solutions, sales and marketing of test and measurement equipment, communication, cybersecurity, and RF solutions, automation projects and integration, advanced calibration services, and industrial video and image processing solutions (through RDT Equipment and Systems and Asio Vision). Furthermore, Matrix is engaged in the import, sales, and service of automated manufacturing machines for component assembly and automated testing machines for assembly processes and components in production lines across various industries, including industrial, medical, military, laser, and sensor applications for civilian and defense purposes, as well as optical communication systems and automotive radar systems.

Background of the Transaction

Magic's Special Committee engaged in extensive discussions relating to Matrix, its business, its financial condition and the terms of the proposed Transaction and the Audit Committee and Board each unanimously determined that the Merger Agreement and the transactions contemplated thereby are fair to, advisable, and in the best interest of, the Company and its shareholders and particularly the public shareholders, and, accordingly, the Board approved the Merger Agreement and the Transaction.

Independent committees were formed at both companies. The deal structure, negotiated with the help of Jefferies LLC (for Matrix's committee) and ValueBase Mergers and Acquisitions Ltd. (for Magic's committee), resulted in a merger ratio of 68.875% to 31.125%, meaning Magic shareholders will own more than 31% of the combined company following the completion of the Transaction.

The merged entity may roughly have a valuation, or a combined market cap, of NIS 10.9 billion (based on the combined market capitalization of the two companies immediately prior to the date hereof), potentially listing among the 35 largest companies on the Tel Aviv Stock Exchange (TASE) and qualifying it for inclusion in the Tel Aviv-35 Index.

Reasons for the Transaction

The Board considered the following factors in reaching its conclusion to approve the Merger Agreement and to recommend that the Magic shareholders approve the items included on the agenda of the Meeting in connection with the Transaction, all of which the Board viewed as supporting its decision to approve the business combination with Matrix:

- (a) After a thorough analysis and in-depth discussions by the Special Committee with the accompaniment of its Advisors, in which the Special Committee analyzed the various alternatives available to the Company in connection with the Merger Transaction. This included examining the business, financial, and strategic pros and cons of each option, considering current trends in the Israeli and global technology and IT sectors, and taking into account the Company's present and future needs, especially the need for additional funding to support its business plans and projects. Based on these considerations, and with the goal of maximizing value for all shareholders—particularly public shareholders—the Board of Directors approved the Special Committee's recommendation that proceeding with the proposed merger with Matrix is the best available alternative. This merger is expected to provide the greatest economic benefit to all shareholders, especially by enabling public shareholders to sell all their shares at a uniform price per share that represents a fair and significantly higher value than the Company's recent share prices on the Tel Aviv Stock Exchange and Nasdaq, as compared to the value proposed by Matrix in both the initial and non-binding merger proposals.

- (b) The Special Committee examined other alternatives to the Transaction, including the possibility of an capital raise by Magic, the sale of Magic's activity to an unrelated third party, or conducting another public offering, but found that the Merger Transaction with Matrix is the optimal option given the market conditions, the Company's capital structure, and the high synergistic potential.
- (c) The Board of Directors adopted the position of the Special Committee, which, as part of its analysis of the alternatives, also considered the financial strength of Matrix and its status as one of the largest and leading technology and IT services companies in Israel, and that in light of this, the merger transaction is the alternative with the highest probability of bringing the Company to an improvement in its business and financial position, which may position it as a market leader in the technology and IT market sector in Israel, alongside an expected improvement in its ability to expand its business activity and grow its revenues, and that for this reason as well, the chosen alternative is the alternative with the greatest economic benefit for the Company and for all of its public shareholders. .
- (d) The terms of the Transaction and the Merger consideration were determined following intensive, prolonged, and in-depth negotiations with Matrix, which were conducted by the Special Committee, during which the Committee succeeded in bringing about a significant improvement in the terms of the transaction and in the merger ratio as proposed by Matrix during the negotiations, in a manner that reflects and expresses the Special Committee's pursuit of maximizing the consideration for the public shareholders and achieving the best possible price under the circumstances.
- (e) The merger consideration is consistent with the fair value range of the Company and the merger ratio range, as included in the independent valuation performed by the Special Committee's Financial Advisors and in the Fairness Opinion, and accordingly reflects a fair and proper value for the Company, taking into account its activity, characteristics, and size.
- (f) The Merger Consideration and the terms of the Merger Transaction were formulated in accordance with a clear and considered methodology, which included the formulation and preparation of an orderly strategy for conducting negotiations, all with the accompaniment and advice of the Special Committee's Advisors, as well as a deep and thorough examination of the Matrix' activity, its assets, and the business potential inherent in them, while exercising independent and professional judgment in an independent manner.
- (g) Based on the foregoing, the members of the Board of Directors adopted the resolution of the Special Committee and found that the merger consideration, in the form of tradable shares of Matrix, which will be issued to the Company's shareholders as part of the Merger Transaction, subject to its completion, is a proper, reasonable, and fair consideration, which maximizes, under the circumstances, the consideration for the public shareholders and reflects a proper value for the Company.

Therefore, after a thorough examination of all the circumstances, the Board of Directors reached a unanimous conclusion, further to the resolution of the Special Committee, that the merger transaction is proper and appropriate and for the good of the Company, and that the merger consideration proposed to the Company's shareholders, and in particular to the public shareholders, is adequate, proper, and fair under the circumstances, and reflects a fair and proper value for the Company

The Board also took into account the following business advantages related to the Merger:

- Expand Matrix's presence in the U.S., leveraging Magic's foothold in the American market.
- Attract more foreign investors, creating momentum for a possible future Nasdaq listing.
- Strengthen financial performance, as Magic has higher profit margins than Matrix.
- The merger would make the combined company the 10th largest IT company listed in the U.S. and the 4th largest IT company in Europe.
- Combining the capabilities and advantages of each company in terms of technology and sharing the know-how and professional and technological capabilities of the groups, includes the potential to strengthen the Company's position and market share in new technologies, particularly in cloud, AI, cyber, digital and data solutions, which are expected to grow in the coming years, and which may contribute to increasing the Company's competitiveness in these areas.

In the course of its deliberations, the Board also considered a variety of risks and other countervailing factors related to entering into the Transaction, including:

- The dilution to the shareholders of Magic in connection with the consummation of the Transaction;
- Potential adverse tax implications on Magic and its shareholders (assuming no goodwill amortization is anticipated);
- The substantial expenses that were and will continue to be incurred in connection with the Transaction;
- The possibility of any suit, action or proceeding with respect to the Transaction;
- The risk that the Transaction might not be consummated in a timely manner or at all, including the risk that the Company's shareholders will not vote to approve the Transaction;
- Matrix's business and current and future risks to its activities and to the industry in which it operates; and
- Various other risks associated with the combined company and the Transaction, including those described in "Risk Factors" above.

The Magic Board conducted an overall analysis of the factors described above, including thorough discussions with, and questioning of, the Magic management team and the legal, financial and other Advisors of Magic, and considered the factors overall to be favorable to, and in support of, its unanimous determination.

Fairness Opinion

The Special Committee engaged PwC Israel on March 16, 2025 to provide a fairness opinion from a financial point of view regarding the Exchange Ratio in the planned merger of Magic and Matrix. In reaching its conclusion, PwC Israel:

- (a) Reviewed the draft of the Merger Agreement;
- (b) Reviewed and analyzed Magic's annual report on Form 20-F for the five fiscal years ended December 31, 2024, and reports of Foreign Private Issuer on Form 6-K and press releases of Magic for the six months ended June 30, 2025;
- (c) Reviewed Matrix's audited reports for the five fiscal years ended December 31, 2024, and unaudited reports for the six months ended June 30, 2025 and other company disclosures of Matrix;
- (d) Reviewed and analyzed financial forecasts, projections and estimates of the both companies prepared by management;
- (e) Reviewed the historical market prices and trading volume of Magic ordinary shares on both the TASE and The NASDAQ Global Select Market and the historical market prices and trading volume of Matrix ordinary shares on the TASE;
- (f) Held discussions with both management personnel with respect to the business, financial condition, operating results and future prospects of the companies;
- (g) Reviewed and analyzed certain publicly available financial data for other companies that we deemed relevant;
- (h) Reviewed and analyzed certain publicly available financial information for transactions that they deemed relevant in evaluating the Exchange Ratio;
- (i) Analyzed the estimated present value of the future cash flows of Magic and Matrix using the income approach (DCF) taking into consideration financial forecasts, projections and estimates prepared by management of each of the companies;
- (j) Estimated the ratio between the companies' market values and their fair value assessments, based on the estimated present value of the future cash flows of Magic and Matrix;
- (k) Reviewed and analyzed other public information concerning Magic and Matrix they deemed relevant;
- (l) Performed such other analyses, reviewed such other information and considered such other factors as they deemed appropriate; and
- (m) Has reached the conclusion that the exchange ratio is fair from a financial point of view.

The description of the opinion set forth herein is qualified in its entirety by reference to the full text of the opinion, which is attached as Annex B to this proxy statement and is incorporated herein by reference, and describes the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by PwC Israel in preparing its opinion. PwC Israel's opinion speaks only as of the date of the opinion. The opinion was for the information of, and was directed to, the Magic Special Committee and Board (in their capacity as such) in connection with its consideration of the financial terms of the Transaction. The opinion addressed the fairness, from a financial point of view, to Magic of the Exchange Ratio in the proposed Transaction pursuant to the Merger Agreement. It did not address the underlying business decision of the Magic Board to engage in the Transaction or enter into the Merger Agreement. It does not constitute a recommendation to the Magic Board in connection with the Transaction or a recommendation to any holder of Magic securities as to how to vote or act in connection with the Transaction or any other matter.

United States Federal Income Taxation

The following is a general discussion of the material U.S. federal income tax consequences of the acquisition, ownership and disposition of our ordinary shares. This description addresses only the U.S. federal income tax considerations that may be relevant to U.S. Holders (as defined below) who hold our ordinary shares as capital assets. This summary is based on the U.S. Internal Revenue Code of 1986, as amended, (the "Code") Treasury regulations promulgated thereunder, judicial and administrative interpretations thereof and the U.S.-Israel Tax Treaty (the "Treaty"), all as in effect on the date hereof and all of which are subject to change either prospectively or retroactively or to differing interpretations. There can be no assurance that the U.S. Internal Revenue Service ("IRS") will not take a different position concerning the tax consequences of the acquisition, ownership or disposition of our ordinary shares or that such a position would not be sustained. This discussion does not address all tax considerations that may be relevant to a U.S. Holder of ordinary shares. In addition, this description does not account for the specific circumstances of any particular investor, such as:

- broker-dealers;
- financial institutions or financial services entities;
- certain insurance companies;
- investors liable for alternative minimum tax;

- regulated investment companies, real estate investment trusts, or grantor trusts;
- dealers or traders in securities, commodities or currencies;
- tax-exempt organizations;
- retirement plans;
- S corporations;
- pension funds;
- certain former citizens or long-term residents of the United States;
- non-resident aliens of the United States or taxpayers whose functional currency is not the U.S. dollar;
- persons who hold ordinary shares through partnerships or other pass-through entities;
- persons who acquire their ordinary shares through the exercise or cancellation of employee stock options or otherwise as compensation for services;
- direct, indirect or constructive owners of investors that actually or constructively own at least 10% of the total combined voting power of our shares or at least 10% of our shares by value; or
- investors holding ordinary shares as part of a straddle, appreciated financial position, a hedging transaction or conversion transaction.

If a partnership or an entity treated as a partnership for U.S. federal income tax purposes owns our ordinary shares, the U.S. federal income tax treatment of a partner in such a partnership will generally depend upon the status of the partner and the activities of the partnership. A partnership that owns our ordinary shares and the partners in such partnership should consult their tax advisors about the U.S. federal income tax consequences of holding and disposing of ordinary shares.

This summary does not address the effect of any U.S. federal taxation (such as estate and gift tax) other than U.S. federal income taxation. In addition, this summary does not include any discussion of state, local or non-U.S. taxation.

For purposes of this summary the term “U.S. Holder” means a person that is eligible for the benefits of the Treaty and is a beneficial owner of ordinary shares who is, for U.S. federal income tax purposes:

- an individual who is a citizen or a resident of the United States;
- a corporation or other entity taxable as a corporation for United States federal income tax purposes, created or organized in or under the laws of the United States or any political subdivision thereof;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust resident in the United States, to the extent such trust’s income is subject to US tax as the income of a resident.

Taxation of Distributions

Subject to the discussion below under the heading “—Passive Foreign Investment Companies,” the gross amount of any distributions received with respect to our ordinary shares, including the amount of any Israeli taxes withheld therefrom, will constitute dividends for U.S. federal income tax purposes when such distribution is actually or constructively received, to the extent such distribution is paid out of our current and accumulated earnings and profits, as determined for U.S. federal income tax purposes. Because we do not expect to maintain calculations of our earnings and profits under U.S. federal income tax principles, you should expect that the entire amount of any distribution will be taxable to you as dividend income. Dividends are included in gross income at ordinary income rates, unless such dividends constitute “qualified dividend income,” as set forth in more detail below. Distributions in excess of our current and accumulated earnings and profits would be treated as a non-taxable return of capital to the extent of your adjusted tax basis in our ordinary shares and any amount in excess of your tax basis would be treated as gain from the sale of ordinary shares. Our dividends would not qualify for the dividends-received deduction generally available to corporations under section 243 of the Code.

Dividends that we pay in NIS, including the amount of any Israeli taxes withheld therefrom, will be included in your income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day such dividends are received, regardless of whether the payment is in fact converted into U.S. dollars. A U.S. Holder who receives payment in NIS and converts NIS into U.S. dollars at an exchange rate other than the rate in effect on such day may have a foreign currency exchange gain or loss that would generally be treated as U.S.-source ordinary income or loss. U.S. Holders should consult their own tax advisors concerning the U.S. tax consequences of acquiring, holding and disposing of NIS.

Subject to complex limitations, some of which vary depending upon the U.S. Holder’s circumstances, any Israeli withholding tax imposed on dividends paid with respect to our ordinary shares, may be a foreign income tax eligible for credit against a U.S. Holder’s U.S. federal income tax liability (or, alternatively, for deduction against income in determining such tax liability). Israeli taxes withheld in excess of the applicable rate allowed by the Treaty (if any) will not be eligible for credit against a U.S. Holder’s federal income tax liability. The limitation on foreign income taxes eligible for credit is calculated separately with respect to specific classes of income. Dividends paid with respect to our common stock generally will be treated as foreign-source passive category income or, in the case of certain U.S. Holders, general category income for U.S. foreign tax credit purposes. Further, there are special rules for computing the foreign tax credit limitation of a taxpayer who receives dividends subject to a reduced tax rate. A U.S. Holder may be denied a foreign tax credit with respect to Israeli income tax withheld from dividends received on our ordinary shares if such U.S. Holder fails to satisfy certain minimum holding period requirements or to the extent such U.S. Holder’s position in ordinary shares is hedged. An election to deduct foreign taxes instead of claiming a foreign tax credit applies to all foreign taxes paid or accrued in the taxable year. The rules relating to the determination of the foreign tax credit are complex. You should consult with your own tax advisors to determine whether and to what extent you would be entitled to this credit.

Subject to certain limitations (including the PFIC rules discussed below), “qualified dividend income” received by a non-corporate U.S. Holder may be subject to tax at the lower long-term capital gain rates (currently, a maximum rate of 20%). Distributions taxable as dividends paid on our ordinary shares should qualify for a reduced rate if we are a “qualified foreign corporation,” as defined in Code section 1(h)(11)(C). We will be a qualified foreign corporation if either: (i) we are entitled to benefits under the Treaty or (ii) our ordinary shares are readily tradable on an established securities market in the United States and certain other requirements are met. We believe that we are entitled to benefits under the Treaty and that our ordinary shares currently are readily tradable on an established securities market in the United States. However, no assurance can be given that our ordinary shares will remain readily tradable. The rate reduction does not apply unless certain holding period requirements are satisfied, nor does it apply to dividends received from a PFIC (see discussion below), in respect of certain risk-reduction transactions, or in certain other situations. U.S. Holders of our ordinary shares should consult their own tax advisors regarding the effect of these rules in their particular circumstances.

Sale, Exchange or Other Disposition of Ordinary Shares

Subject to the discussion of the PFIC rules below, if you sell or otherwise dispose of our ordinary shares (other than with respect to certain non-recognition transactions), you will generally recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount realized on the sale or other disposition and your adjusted tax basis in our ordinary shares, in each case determined in U.S. dollars. Such gain or loss will generally be capital gain or loss and will be long-term capital gain or loss if you have held the ordinary shares for more than one year at the time of the sale or other disposition. Long-term capital gain realized by a non-corporate U.S. Holder, who does not have a tax home outside of the United States, is generally eligible for a preferential tax rate (currently at a maximum of 20%). In general, any gain that you recognize on the sale or other disposition of ordinary shares will be U.S.-source for purposes of the foreign tax credit limitation; losses will generally be allocated against U.S. source income. Deduction of capital losses is subject to certain limitations under the Code.

In the case of a cash basis U.S. Holder who receives NIS in connection with the sale or disposition of our ordinary shares, the amount realized will be based on the U.S. dollar value of the NIS received with respect to the ordinary shares as determined on the settlement date of such exchange. A cash basis U.S. Holder who receives payment in NIS and converts NIS into U.S. dollars at a conversion rate other than the rate in effect on the settlement date may have a foreign currency exchange gain or loss, based on any appreciation or depreciation in the value of NIS against the U.S. dollar, which would be treated as ordinary income or loss.

An accrual basis U.S. Holder may elect the same treatment of currency exchange gain or loss required of cash basis taxpayers with respect to a sale or disposition of our ordinary shares that are traded on an established securities market, provided that the election is applied consistently from year to year. Such election may not be changed without the consent of the IRS. In the event that an accrual basis U.S. Holder does not elect to be treated as a cash basis taxpayer (pursuant to the Treasury regulations applicable to foreign currency transactions), such U.S. Holder is required to calculate the value of the proceeds as of the “trade date” and may have a foreign currency gain or loss for U.S. federal income tax purposes in the event of any difference between the U.S. dollar value of NIS prevailing on the trade date and on the settlement date. Any such currency gain or loss generally would be treated as U.S.-source ordinary income or loss and would be subject to tax in addition to the gain or loss, if any, recognized by such U.S. Holder on the sale or disposition of such ordinary shares.

Passive Foreign Investment Company Considerations

Because PFIC status is based on our income, assets and activities for the entire taxable year, it is not possible to determine whether we will be characterized as a PFIC for our current taxable year or future taxable years until after the close of the applicable taxable year. Moreover, we must determine our PFIC status annually based on tests that are factual in nature, and our status in the current year and future years will depend on our income, assets and activities in each of those years and, as a result, cannot be predicted with certainty as of the date hereof.

If we were a PFIC for any taxable year during which a U.S. Holder owned ordinary shares, certain adverse consequences could apply to the U.S. Holder. Specifically, unless a U.S. Holder makes one of the elections mentioned below, gain recognized by the U.S. Holder on a sale or other disposition of ordinary shares would be allocated ratably over the U.S. Holder’s holding period for the ordinary shares. The amounts allocated to the taxable year of the sale or other disposition and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge would be imposed on the resulting tax liability. Further, any distribution in excess of 125% of the average of the annual distributions received by the U.S. Holder on our ordinary shares during the preceding three years or the U.S. Holder’s holding period, whichever is shorter, would be subject to taxation as described immediately above. In addition, if we were a PFIC for a taxable year in which we pay a dividend or the immediately preceding taxable year, the preferential dividend rates discussed above with respect to dividends paid to certain non-corporate U.S. Holders would not apply. If we were a PFIC for any taxable year in which a U.S. Holder owned our shares, the U.S. Holder would generally be required to file annual returns with the IRS on IRS Form 8621.

If we are treated as a PFIC with respect to you for any taxable year, you will be deemed to own shares in any entities in which we own equity that are also PFICs (“lower tier PFICs”), and you may be subject to the tax consequences described above with respect to the shares of such lower tier PFIC you would be deemed to own.

i. Mark-to-market elections

If we are a PFIC for any taxable year during which you hold ordinary shares, then instead of being subject to the tax and interest charge rules discussed above, you may make an election to include gain on the ordinary shares as ordinary income under a mark-to-market method, provided that such ordinary shares are “marketable.” The ordinary shares will be marketable if they are “regularly traded” on a qualified exchange or other market, as defined in applicable U.S. Treasury regulations, such as the New York Stock Exchange (or on a foreign stock exchange that meets certain conditions). For these purposes, the ordinary shares will be considered regularly traded during any calendar year during which they are traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. Any trades that have as their principal purpose meeting this requirement will be disregarded. However, because a mark-to-market election cannot be made for any lower tier PFICs that we may own, you will generally continue to be subject to the PFIC rules discussed above with respect to your indirect interest in any investments we own that are treated as an equity interest in a PFIC for U.S. federal income tax purposes. As a result, it is possible that any mark-to-market election with respect to the ordinary shares will be of limited benefit.

If you make an effective mark-to-market election, in each year that we are a PFIC, you will include in ordinary income the excess of the fair market value of your ordinary shares at the end of the year over your adjusted tax basis in the ordinary shares. You will be entitled to deduct as an ordinary loss in each such year the excess of your adjusted tax basis in the ordinary shares over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. If you make an effective mark-to-market election, in each year that we are a PFIC, any gain that you recognize upon the sale or other disposition of your ordinary shares will be treated as ordinary income and any loss will be treated as ordinary loss, but only to the extent of the net amount of previously included income as a result of the mark-to-market election.

Your adjusted tax basis in the ordinary shares will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules discussed above. If you make an effective mark-to-market election, it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the ordinary shares are no longer regularly traded on a qualified exchange or the IRS consents to the revocation of the election. You should consult your tax advisor about the availability of the mark-to-market election, and whether making the election would be advisable in your particular circumstances.

ii. Qualified electing fund elections

In certain circumstances, a U.S. equity holder in a PFIC may avoid the adverse tax and interest charge regime described above by making a “qualified electing fund” election to include in income its share of the corporation’s income on a current basis. However, you may make a qualified electing fund election with respect to the ordinary shares only if we agree to furnish you annually with a PFIC annual information statement as specified in the applicable U.S. Treasury regulations. We do not intend to provide the information necessary for you to make a qualified electing fund election if we are classified as a PFIC. Therefore, you should assume that you will not receive such information from us and would therefore be unable to make a qualified electing fund election with respect to any of our ordinary shares were we to be or become a PFIC.

Additional Tax on Investment Income

In addition to the income taxes described above, U.S. Holders that are individuals, estates or trusts and whose income exceeds certain thresholds may be subject to a 3.8% Medicare contribution tax on net investment income, which includes dividends and capital gains from the sale or exchange of our ordinary shares.

Backup Withholding and Information Reporting

Payments in respect of our Ordinary Shares may be subject to information reporting to the IRS and to U.S. backup withholding tax at the rate (currently) of 24%. Backup withholding will not apply, however, if you (i) fall within certain exempt categories and demonstrate the fact when required or (ii) furnish a correct taxpayer identification number and make any other required certification.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a U.S. Holder's U.S. tax liability. A U.S. Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the IRS.

U.S. citizens and individuals taxable as resident aliens of the United States that (i) own "specified foreign financial assets" (as defined in Section 6038D of the Code and the regulations thereunder) with an aggregate value in a taxable year in excess of certain thresholds (as determined under rules in Treasury regulations) and (ii) are required to file U.S. federal income tax returns generally will be required to file an information report with respect to those assets with their tax returns. IRS Form 8938 has been issued for that purpose. "Specified foreign financial assets" include any financial accounts maintained by foreign financial institutions, foreign stocks held directly, and interests in foreign estates, foreign pension plans or foreign deferred compensation plans. Under those rules, our ordinary shares, whether owned directly or through a financial institution, estate or pension or deferred compensation plan, would be "specified foreign financial assets." Under Treasury regulations, the reporting obligation applies to certain U.S. entities that hold, directly or indirectly, specified foreign financial assets. Penalties can apply if there is a failure to satisfy this reporting obligation. In addition, in the event a U.S. Holder that is required to file IRS Form 8938 does not file such form, the statute of limitations on the assessment and collection of U.S. federal income taxes of such U.S. Holder for the related tax year may not close until three years after the date that the required information is filed. A U.S. Holder is urged to consult the U.S. Holder's tax advisor regarding the reporting obligation.

Any U.S. Holder who acquires more than \$100,000 of our ordinary shares or holds 10% or more of our ordinary shares by vote or value may be subject to certain additional U.S. information reporting requirements.

The above description is not intended to constitute a complete analysis of all tax consequences. You should consult your tax advisor concerning the tax consequences of your particular situation.

THE MERGER AGREEMENT

The following is a summary of the material terms of the Merger Agreement and of the rights attached to the Matrix ordinary shares to be issued in connection with the Transaction. A copy of a translation of the Merger Agreement (the Hebrew version is the controlling version) is attached as Annex A to this proxy statement and is incorporated by reference. The translation of the Merger Agreement has been attached to this proxy statement to provide you with information regarding its terms. It is not intended to provide any other factual information about Magic, Merger Sub or Matrix. The following description does not purport to be complete and is qualified in its entirety by reference to the Merger Agreement and its ancillary documents. You should refer to the full translation of the Merger Agreement and the ancillary documents (or to the original Hebrew posted on the Tel Aviv Stock Exchange <https://maya.tase.co.il/>) for details of the Transaction, and the terms and conditions of the Merger Agreement.

The Merger Agreement contains representations and warranties that Magic and Merger Sub, on the one hand, and Matrix, on the other hand, have made to one another as of specific dates. These representations and warranties have been made for the benefit of the other parties to the Merger Agreement and may be intended not as statements of fact but rather as a way of allocating the risk to one of the parties if those statements made in the representations and warranties prove to be incorrect. In addition, the assertions made in the representations and warranties are qualified by the information in confidential disclosure schedules exchanged by the parties in connection with the signing of the Merger Agreement. While Magic and Matrix do not believe that these disclosure schedules contain information required to be publicly disclosed under the applicable securities laws, other than information that has already been so disclosed, the disclosure schedules do contain information that modifies, qualifies and creates exceptions to the representations and warranties set forth in the Merger Agreement. Accordingly, you should not rely on the representations and warranties as current characterizations of factual information about Magic, Merger Sub or Matrix, because they were made as of specific dates, may be intended merely as a risk allocation mechanism between Magic and Merger Sub on the one hand, and Matrix on the other hand, and are modified by the disclosure schedules.

Structure

Under the Merger Agreement, at the Effective Time, Merger Sub will merge with and into Magic, with Magic surviving as a wholly-owned subsidiary of Matrix.

Completion and Effectiveness of the Transaction

The Transaction will be completed as promptly as practicable after all of the conditions to completion of the Transaction are satisfied or waived, including the approval of the shareholders of Magic. Magic and Matrix are working to complete the Transaction as quickly as practicable. The Transaction is anticipated to close during the first quarter of 2026. However, Magic and Matrix cannot predict the exact timing of the completion of the Transaction because it is subject to various conditions.

Consideration and Exchange Ratio

Consideration

At the effective time of the Transaction, or the Effective Time, upon the terms and subject to the conditions set forth in the Merger Agreement:

- each ordinary share of Magic outstanding immediately prior to the Effective Time will be converted into the right to receive a number of Matrix ordinary shares calculated pursuant to the Exchange Ratio described below.

No fractional Matrix ordinary shares will be issued in connection with the Transaction. Each holder of Magic's ordinary shares who would otherwise be entitled to receive a fraction of a Matrix ordinary share, would not receive such fraction, and will instead receive such amount rounded to the nearest whole number of Matrix ordinary shares.

The Merger Agreement does not provide for an adjustment to the total number of Matrix ordinary shares Magic shareholders will be entitled to receive for changes in the market prices prior to the Effective Time. Accordingly, the market value of the Matrix ordinary shares issued in connection with the Transaction will depend on the market value of the Matrix ordinary shares at the time the Transaction closes, and could vary significantly from the market value of the Matrix ordinary shares on the date the Merger Agreement was executed or on the date of this proxy statement.

Exchange Ratio

Under the Exchange Ratio described in the Merger Agreement, immediately following the Transaction, Magic's securityholders are expected to own 31.125% of the combined company's share capital (on a fully-diluted basis, assuming the exercise of all existing options in Matrix's share capital on a net-exercise basis). This 31.125% / 68.875% exchange ratio was determined following arm's-length negotiations between Magic's Special Committee and Matrix's Special Committee and was found to be consistent with the valuation ranges derived from the independent valuation analyses conducted by the Committee's Financial Advisors, and fair according to the Fairness Opinion provided by PwC Israel.

Representations and Warranties

The Merger Agreement contains customary representations and warranties made by Magic, Merger Sub and Matrix relating to their respective businesses, as well as other facts pertinent to the Transaction. These representations and warranties are subject to materiality, knowledge and other similar qualifications and expire at the effective time of the Transaction. The representations and warranties of each of Magic, Merger Sub and Matrix have been made solely for the benefit of the other parties and those representations and warranties should not be relied on by any other person. In addition, those representations and warranties may be intended not as statements of actual fact, but rather as a way of allocating risk among the parties, may have been modified by the disclosure schedules delivered in connection with the Merger Agreement, are subject to the materiality standard described in the Merger Agreement, which may differ from what may be viewed as material by you, will not survive completion of the Transaction and cannot be the basis for any claims under the Merger Agreement by the other parties after termination of the Merger Agreement, and were made only as of the date of the Merger Agreement or another date as is specified in the Merger Agreement.

The Merger Agreement further provides that the Matrix may, at its discretion, enter into a representations and warranties insurance policy with an insurer of its choice (the “Insurer” and the “R&W Insurance Policy,” respectively). Magic and/or its affiliates and its shareholders shall have no responsibility, obligation or liability in connection with the R&W Insurance Policy (except that Magic’s management will cooperate with the Insurer and provide information as reasonably required during the underwriting and due diligence process). Only Matrix shall bear, after the closing date, the costs associated with obtaining the R&W Insurance Policy. For the avoidance of doubt, there is no certainty that the Matrix will enter into the R&W Insurance Policy, nor as to its scope or terms, and any such decision shall be at the sole discretion of Matrix.

Covenants; Conduct of Business Pending the Transaction

The Merger Agreement provides that during the period from the date of signing the Merger Agreement until Closing or the date of lawful termination of the Agreement by either party to it in accordance with the provisions of the Agreement (whichever comes first) (the “**Interim Period**”), subject to any law, the companies will be conducted in the ordinary course of business, so that no changes will occur therein that are not in the ordinary course of business, and no actions or commitments will be taken that could materially adversely affect the assets, businesses, financial condition of any of the parties and the companies under its control or the ability of the parties to complete the transaction under the Agreement.

Without derogating from the generality of the provisions above, the parties have undertaken not to carry out the following actions: issuance of securities; changes in the articles of association; material investments; taking on or raising substantial debt; a material change in the terms of debentures or material financing agreements; material engagements with the controlling shareholder or in which the controlling shareholder has a personal interest; material engagements with a shareholder or in which the shareholder has a personal interest; material engagements with an officer or in which the officer has a personal interest; engagements in connection with a merger, reorganization, dissolution, liquidation, restructuring, or filing for dissolution or for the appointment of a temporary liquidator, receiver, receiver, special administrator or for a creditors’ arrangement or a stay of proceedings or any similar proceeding; taking an action that is reasonably expected to impair or materially impede the closing of the transaction or cause the representations made by that party to be incorrect in all material respects; making changes in accounting policies or rules or in reporting principles or in taxation policies and methods; making a material change in existing areas of operation; material acquisition, sale, transfer or encumbrance of any business, corporation or entity; Disposition of material assets; material grant or material change of remuneration or other benefit; all subject to the conditions and exceptions set forth in the Agreement.

According to the provisions of the Merger Agreement, during the Interim Period, the Company and Matrix shall be entitled to make distributions (as the term “distribution” is defined in the Companies Law) solely in accordance with their dividend distribution policy as it is at the date of signing the Agreement (and for the avoidance of doubt, they shall not distribute more than 75% of their net profit attributable to shareholders). For the avoidance of doubt, such distribution shall not affect or change the exchange ratio or the merger consideration. During the Interim Period, subsidiaries of the Company and Matrix that are not wholly owned shall be entitled to declare a dividend distribution and make distributions (as this term is defined in the Companies Law) solely in an amount that does not exceed the amount permitted for distribution under their existing dividend distribution policy or According to their articles of association or according to their contractual obligations (hereinafter collectively referred to in this section: “obligation to distribute a dividend”) which are in force as of the date of signing the merger agreement, and with respect to said subsidiaries that do not have an obligation to distribute a dividend - at a rate that will not exceed the dividend rate distributed by them in accordance with past practice.

Following the discovery of a material weakness in the Company’s internal control over financial reporting, as reported in our annual report (the “**Material Weakness**”), and following specific analysis by the Special Committee of Matrix, and our efforts to correct the Material Weakness as aforesaid and to continuously improve our internal controls over financial reporting, including the appointment of consultants and the formulation of a plan for this purpose, we further undertake to ensure that the internal controls are designed and operate efficiently so as to detect or prevent material errors in our financial statements. Without derogating from the generality of the foregoing, Magic undertakes to act for the implementation of the internal controls and to perform an initial test of the effectiveness of both manual and automated controls as early as possible after the signing the Merger Agreement, and, to the extent possible, no later than January 15, 2026.

Matrix has undertaken that no later than five business days before their shareholders meeting (or such other period as may be coordinated with the Israel Securities and Exchange Authority), it will publish a shelf offering report pursuant to its shelf prospectus dated July 17, 2025, for the purpose of issuing the Matrix ordinary shares as consideration to Magic eligible shareholders.

The parties agreed that immediately after the signing of the Merger Agreement and no later than 14 days after the date of its signing, each of the Company and Matrix will publish a notice of a special general meeting of its shareholders to approve the merger transaction in accordance with the provisions of the Israeli Companies Law (including pursuant to the provisions of Sections 270(4) and 275 of the Companies Law), and that Matrix will publish on EDGAR a U.S. equivalent of the Israeli public offering document of the shares in accordance with US securities laws (i.e., on Form CB using an exemption from a registration statement). It was also agreed that within three (3) days from the date of the notice of Magic’s general meeting to approve the merger, each of the merging companies will submit to the Israeli Registrar of Companies a merger proposal as required under Section 317 of the Companies Law and the Merger Regulations.

The parties have undertaken to act and cooperate with each other to comply with all legal provisions in connection with the merger transaction and to complete the transaction, and to make reasonable commercial efforts to obtain any consent, approval or permit required to complete the transaction.

Indemnification and Insurance for Officers and Directors

Under the Merger Agreement, from the closing of the Transaction through the seventh anniversary of the date on which the effective time of the Transaction occurs, Magic and the surviving corporation in the Transaction agree to, jointly and severally, indemnify and hold harmless to the fullest extent allowed applicable law, each present and former director or officer of Magic against all claims, losses, liabilities, damages judgments, fines and reasonable fees, costs and expenses, including attorneys' fees and disbursements, incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of such individual's position as a director or officer of Magic, whether asserted or claimed prior to, at or after the effective time of the Transaction.

Under the Merger Agreement, the provisions of the Articles of Association of Magic with respect to indemnification, advancement of expenses and exculpation of present and former directors and officers of Magic that are presently set forth therein shall not be amended, modified or repealed for a period of seven years from the Effective Time in a manner that would adversely affect the rights thereunder of individuals who, at or prior to the Effective Time, were officers or directors of Magic. The Articles of Association of Matrix shall contain, and Matrix shall cause the Articles of Association Matrix to so contain, provisions no less favorable with respect to indemnification, advancement of expenses and exculpation of present and former directors and officers as those presently set forth in Magic's Articles of Association.

The Merger Agreement also provides that Magic will purchase a run-off insurance policy for Magic's officers and directors that will remain in effect for seven years from the closing, providing coverage not in excess of Magic's current directors' and officers' liability insurance policy. The Merger Agreement further provides that Magic will be responsible for payment of all deductibles and other expenses in connection with the run-off insurance policy following the effective time of the Transaction.

It is therefore proposed, as part of the Transaction, to expand our existing directors and officers insurance policy by purchasing a discovery policy for a period of seven years from the date of the consummation of the Transaction. The terms of the "run-off" insurance policy apply equally to all of the Company's directors and officers that served in their position prior to the consummation of the Transaction, and shall be in accordance with Magic's compensation policy.

Additional Agreements

Each of Magic, Merger Sub and Matrix has agreed to, among other things:

- use its commercially reasonable efforts to cause to be taken all actions necessary to consummate the Transaction and any other transaction contemplated by the Merger Agreement;
- reasonably cooperate with the other parties and provide the other parties with such assistance as may be reasonably requested for the purpose of facilitating the performance by each party of its respective obligations under the Merger Agreement and to enable the surviving corporation to continue to meet its obligations under the Merger Agreement following the closing;
- make all filings and other submissions (if any) and give all notices (if any) required to be made and given by such party in connection with the Transaction and any other transaction contemplated by the Merger Agreement;
- use its commercially reasonable efforts to lift any injunction prohibiting, or any other legal bar to, the Transaction and any other transaction contemplated by the Merger Agreement;
- use its commercially reasonable efforts to satisfy the conditions precedent to the consummation the Transaction and any other transaction contemplated by the Merger Agreement; and
- use its commercially reasonable efforts to satisfy the conditions precedent to the consummation of the Merger Agreement

The Merger Agreement provides all fees and expenses incurred in connection with the Merger Agreement and the transactions contemplated thereby will be paid by the party incurring such expenses, except that Matrix will pay all TASE fees associated with the listing and any payments charged by consultants reasonably agreed upon by Matrix and Magic assisting with the listing process.

Amendment

The Merger Agreement may be amended by an instrument in writing signed on behalf of each of Magic, Merger Sub and Matrix with the approval of the respective boards of directors of Magic, Merger Sub and Matrix at any time, except that after the Merger Agreement has been adopted by the shareholders of Magic, no amendment which by law requires further approval by the shareholders of Magic will be made without such further approval.

Governing Law and Jurisdiction

The Merger Agreement is governed by, and construed in accordance with, the laws of the State of Israel, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof. Subject to the arbitration clause set forth in the Merger Agreement (as described below), in any action between any of the parties arising out of or relating to the Merger Agreement, each of Magic and Matrix consents and submits to the exclusive jurisdiction of the competent courts of Tel-Aviv, Israel.

In accordance with the arbitration clause, in the event of a dispute between the parties to the Merger Agreement, such dispute shall be brought before a sole arbitrator to be agreed upon by the parties, and in the absence of such agreement within 14 days from the date on which one party gives written notice to the other of its desire to appoint an arbitrator, an arbitrator with no personal interest in any of the parties shall be appointed by the Chairperson of the Israeli Institute of Commercial Arbitration.

THE PROPOSAL

Approval of the consummation of the Transaction and the other transactions contemplated by the Merger Agreement

(Proposal 1 on the Proxy Card)

General

Approval of Consummation of the Transaction and Issuance of Securities

At the Meeting, Magic shareholders will be asked to approve the consummation of the Transaction and other transactions contemplated by the Merger Agreement.

Under the exchange ratio formulas in the Merger Agreement, immediately following the closing of the Transaction, Matrix's securityholders would own in the aggregate 68.875% of the combined company's share capital (on a fully-diluted basis), and Magic's securityholders would own in the aggregate the remaining 31.125 % of the combined company's outstanding share capital (on a fully-diluted basis).

The Transaction has been unanimously approved by the boards of directors of both Magic and Matrix and is expected to be completed upon the satisfaction of the conditions precedent under the Merger Agreement, including the approval of Magic's and Matrix's shareholders as well as other customary conditions.

The terms of, reasons for and other aspects of the Transaction, the Merger Agreement, and other transactions contemplated by the Merger Agreement the issuance of Magic Ordinary Shares in the Transaction are described in detail in the other sections of this proxy statement.

Required Vote and Special Majority

Pursuant to the Israeli Companies Law, the affirmative vote of the holders of a majority of the Ordinary Shares represented at the Meeting, in person or by proxy, entitled to vote and voting on the matter, is required to approve the resolution in connection with the approval of the Merger. In addition, pursuant to the Companies Law, the approval is generally required to comply with at least one of the following “special majority” conditions: (i) the shares voting in favor of the matter include at least a majority of the shares voted by shareholders who are not controlling shareholders and who do not have a personal interest in the approval of the proposal or (ii) the total number of shares voted against the proposal by shareholders referenced under (i) does not exceed 2% of the outstanding voting power in the Company. For more information concerning the definition of a “controlling shareholder” and a “personal interest” see “*Questions and Answers about the Transaction - How many votes are needed to approve the proposal?*”

Under the Israeli Companies Law, any shareholder participating in the vote must inform our Company before the vote whether or not such shareholder is a controlling shareholder or has a conflict of interest in the approval of the proposal, and failure to do so disqualifies the shareholder from participating in the vote on the Proposal.

In keeping with the relief provided by the Companies Regulations - Relief for Companies whose Securities are Listed for Trading on a Foreign Exchange 2000-5760, if you vote by means of the enclosed proxy card or voting instruction form, online at www.proxy.com, or via the electronic voting system of the Israel Securities Authority, you will be deemed to be confirming to our company that you are not a controlling shareholder and that you lack a conflict of interest in the approval of the proposal, and your vote or voting instruction (as applicable) will be counted towards or against the special majority required for the approval of such proposal(s).

If you believe that you, or a related party of yours, is a controlling shareholder or has such a conflict of interest and you wish to participate in the vote for or against the proposal, you should not vote by means of the enclosed proxy card or voting instruction form, online at www.proxy.com, or via the electronic voting system of the Israel Securities Authority, with respect to the proposal, and you should instead contact our Chief Financial Officer, Mr. Asaf Berenstein, at aberenstein@magicsoftware.com, who will instruct you how to submit your vote or voting instructions on the proposal.

Proposed Resolution

It is therefore proposed that at the Meeting the following resolution be adopted:

“RESOLVED, to approve the consummation of the Transaction and the other transactions contemplated by the Merger Agreement, including the issuance of Matrix Ordinary Shares, at the effective time of the Transaction to the securityholders of Magic.”

The Board of Directors recommends a vote FOR the foregoing resolution.

OTHER MATTERS

The Board of Directors does not intend to bring any matters before the Meeting other than those specifically set forth in the Notice of the Meeting and knows of no matters to be brought before the Meeting by others. If any other matters properly come before the Meeting, it is the intention of the persons named in the accompanying proxy to vote such proxy in accordance with the judgment of the Board of Directors.

By Order of the Board of Directors,

Asaf Berenstein
Chief Financial Officer

Dated: November 3, 2025

ANNEX A

**AGREEMENT AND PLAN OF MERGER (TRANSLATION) – SEE EXHIBIT 99.1 ON THE EDGAR SUBMISSION ON FORM 6-K DATED
NOVEMBER 3, 2025**

ANNEX B

Fairness Opinion



PricewaterhouseCoopers Advisory Ltd.
146 Derech Menachem Begin
Tel Aviv-Yafo 6492103 Israel
Telephone +972-3-7954588
Facsimile +972-3-7954682

Tel Aviv, November 3, 2025

To: The Independent Committee of the Board of Directors of Magic Software Enterprises Ltd. and the members of the Board of Directors

Re: Fairness Opinion from a Financial Point of View

The Independent Committee of the Board of Directors of Magic Software Enterprises Ltd. ("**Magic**" or the "**Company**") has engaged PricewaterhouseCoopers Advisory Ltd. ("**PwC Israel**" or "**Us**") on March 16, 2025 ("**Engagement Date**"), to provide a fairness opinion from a financial point of view regarding the exchange ratio in the planned merger of Magic and Matrix IT Ltd ("**Matrix**"; together with Magic, the "**Companies**" and the "**Transaction**", respectively). Upon the consummation of the Transaction, Magic will become a wholly owned subsidiary of Matrix, and each outstanding share of Magic will be converted into a number of shares of Matrix. According to the exchange ratio determined in the Merger Agreement dated November 3, 2025 by and between the Companies ("**Merger Agreement**"), post-merger Magic's shareholders will own 31.125% of Matrix's shares on a fully diluted basis (as specified under the Merger Agreement), while Matrix shareholders will retain 68.875% ("**Exchange Ratio**").

In connection with our opinion, we have:

- (a) Reviewed the unexecuted execution draft of the Merger Agreement;
- (b) Reviewed and analyzed Magic's annual report on Form 20-F for the five fiscal years ended December 31, 2024, and reports of Foreign Private Issuer on Form 6-K and press releases of Magic for the period ended June 30, 2025 and Matrix audited reports for the five fiscal years ended December 31, 2024, and unaudited reports for the period ended June 30, 2025 and company disclosures of Matrix;
- (c) Reviewed and analyzed financial forecasts, projections and estimates of the Companies prepared by the Companies management;

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- (d) Reviewed the historical market prices and trading volume of Magic ordinary Shares on both the TASE and The NASDAQ Global Select Market and the historical market prices and trading volume of Matrix ordinary Shares on the TASE;
- (e) Held discussions with the Company's management with respect to the business, financial condition, operating results and future prospects of the Company's;
- (f) Reviewed and analyzed certain publicly available financial data for other companies that we deemed relevant;
- (g) Reviewed and analyzed certain publicly available financial information for transactions that we deemed relevant in evaluating the Exchange Ratio;
- (h) Analyzed the estimated present value of the future cash flows of Magic and Matrix using the income approach (DCF) taking into consideration financial forecasts, projections and estimates prepared by the management of each of the Companies;
- (i) Estimated the ratio between the Companies' market values and their fair value assessments, based on the estimated present value of the future cash flows of Magic and Matrix;
- (j) Reviewed and analyzed other public information concerning Magic and Matrix we deemed relevant;
- (k) Performed such other analyses, reviewed such other information and considered such other factors as we deemed appropriate; and
- (l) Reached a conclusion regarding the fairness of the exchange ratio from a financial point of view.

The opinion expressed herein is subject to the following qualifications and limitations:

- (i) In arriving at our opinion, we have relied upon and assumed, without independent verification, the accuracy and completeness of all financial and other information that was publicly available or furnished to us by Magic's management ("**Management**"), or by someone on its behalf. With respect to the Projections, we have assumed that they have been reasonably prepared based on the best currently available estimates and judgments of the Management as to the future financial performance of the Companies.



- (ii) We have not made an independent evaluation or appraisal of the assets of the Companies, nor have we been furnished with any such appraisals. We have not been requested to, and did not, solicit third-party indications of interest in acquiring all or any part of the Companies.
- (iii) Our services with respect to the Transaction do not constitute, nor should they be construed to constitute in any way, a review or audit of or any other procedures with respect to any financial information, nor should such services be relied upon by any person to disclose weaknesses in internal controls or financial statement errors or irregularities.
- (iv) Our opinion does not address, and should not be construed to address, either the underlying business decision to effect the Transaction or whether the consideration to be paid by Matrix in the Transaction represents the highest price obtainable. We express no view as to the federal, state, or local tax consequences of the Transaction.
- (v) Our opinion is based on business, economic, market and other conditions, as they exist and were brought to our attention, as of the signing date of the Merger Agreement ("**Transaction Date**").
- (vi) This opinion is effective as of the Transaction Date. We have no obligation to update the opinion unless requested by the Company in writing to do so and expressly disclaim any responsibility to do so in the absence of any such request.
- (vii) There will usually be differences between estimated and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

Based upon and subject to the foregoing, it is our opinion that as of the Transaction Date, the Exchange Ratio established in the Merger Agreement, under which Magic's shareholders will receive 31.125% of Matrix's shares is fair from a financial point of view.

This letter is provided for the information of the Company and its shareholders in connection with the Transaction described herein.

Very truly yours,

ANNEX C

Financial Statements Of Magic Software Enterprises As Of June 30, 2025

ANNEX D

Financial Statements of Matrix IT as of June 30, 2025

MAGIC SOFTWARE ENTERPRISES LTD.

PROXY FOR EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS
TO BE HELD ON DECEMBER 10, 2025
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby constitutes and appoints Asaf Berenstin the true and lawful attorney, agent and proxy of the undersigned, with full power of substitution to him, to represent and to vote, on behalf of the undersigned, all of the Ordinary Shares of Magic Software Enterprises Ltd. (the “**Company**”) held of record in the name of the undersigned at the close of business on Monday, November 10, 2025, at the Extraordinary General Meeting of Shareholders of the Company (the “**Meeting**”) to be held at the offices of the Company, Terminal Center, 1 Yahadut Canada St., Or Yehuda 6037501, Israel, on Wednesday, December 10, 2025 at 2:00 p.m. (local time), and at any and all adjournments or postponements thereof, on the matters listed on the reverse side, which are more fully described in the Notice of Extraordinary General Meeting of Shareholders (the “**Notice**”) and Proxy Statement (the “**Proxy Statement**”) relating to the Meeting.

The Proxy Statement and all the materials and appendices are also available on <https://www.magicsoftware.com/investors/>.

The undersigned acknowledges the availability to him, her or it of the Notice and Proxy Statement relating to the Meeting.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED. IF NO DIRECTIONS ARE INDICATED WITH RESPECT THE PROPOSAL, THE SHARES REPRESENTED BY THE PROXY WILL BE VOTED BY THE ABOVE-DESIGNATED PROXY “FOR” THAT PROPOSAL, AS RECOMMENDED BY THE COMPANY’S BOARD OF DIRECTORS. THIS PROXY WILL FURTHERMORE BE VOTED AS THE ABOVE-DESIGNATED PROXY SHALL DEEM ADVISABLE ON SUCH OTHER BUSINESS AS MAY COME BEFORE THE MEETING.

Any and all proxies heretofore given by the undersigned are hereby revoked.

(Continued and to be signed on the reverse side)

**EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS OF
MAGIC SOFTWARE ENTERPRISES LTD.**

December 10, 2025

**Please date, sign and mail
your proxy card in the
envelope provided as soon
as possible.**

Please detach along perforated line and mail in the envelope provided.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE PROPOSAL. PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE ☒

Important Instructions for the Proposal:

BY EXECUTING AND SUBMITTING THIS PROXY CARD, YOU ARE DEEMED TO CONFIRM THAT YOU ARE NOT A CONTROLLING SHAREHOLDER AND DO NOT HAVE A CONFLICT OF INTEREST (REFERRED TO AS A "PERSONAL INTEREST" UNDER THE ISRAELI COMPANIES LAW) IN THE APPROVAL OF THE PROPOSALS.

If you believe that you, or a related party of yours, has such a conflict of interest, or if you are a controlling shareholder, and you wish to participate in the vote, you should contact the Company's Chief Financial Officer, Asaf Berenstein, at aberenstein@magicsoftware.com, who will instruct you how to submit your vote. In that case, your vote will count towards or against the ordinary majority required for the approval of the Proposal but will not count towards or against the special majority required for the approval of that proposal.

PROPOSAL

(1) To approve the consummation of the Transaction and the other transactions contemplated by the Merger Agreement, including the issuance of Matrix Ordinary Shares, at the effective time of the Transaction to the securityholders of Magic.

FOR	AGAINST	ABSTAIN
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method. ☐

Signature of Shareholder _____ Date _____ Signature of Shareholder _____ Date _____

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

MAGIC SOFTWARE ENTERPRISES LTD
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2025
U.S. DOLLARS IN THOUSANDS
UNAUDITED
INDEX

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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	June 30, 2025	December 31, 2024
	Unaudited	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 89,957	\$ 112,779
Short-term bank deposits	-	51
Trade receivables (net of allowance for doubtful accounts of \$8,387 and \$7,906 as of June 30, 2025 and December 31, 2024, respectively)	133,039	123,133
Unbilled receivables and contract assets	19,900	16,683
Other accounts receivable and prepaid expenses	22,856	23,553
Total current assets	265,752	276,199
LONG-TERM ASSETS:		
Deferred tax assets	5,735	4,895
Right-of-use assets	25,490	24,707
Other long-term receivables	10,179	9,261
Property and equipment, net	8,303	7,467
Intangible assets, net	44,042	45,287
Goodwill	182,151	172,515
Total long-term assets	275,900	264,132
TOTAL ASSETS	\$ 541,652	\$ 540,331

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	June 30, 2025 <u>Unaudited</u>	December 31, 2024 <u></u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Short-term debt	\$ 28,531	\$ 23,187
Trade payables	25,358	28,753
Dividend payable to Magic Software shareholders	-	11,587
Accrued expenses and other accounts payable	55,973	58,209
Current maturities of lease liabilities	4,537	4,818
Put options for non-controlling interests	22,846	20,066
Liability in respect of business combinations	4,249	2,654
Deferred revenues and customer advances	23,802	21,031
Total current liabilities	<u>165,296</u>	<u>170,305</u>
LONG TERM LIABILITIES:		
Long-term debt	41,573	36,107
Long-term lease liabilities	23,326	22,040
Liability in respect of business combinations	-	1,781
Deferred tax liabilities	7,847	7,848
Employee benefit liabilities	1,313	1,181
Total long-term liabilities	<u>74,059</u>	<u>68,957</u>
EQUITY:		
Magic Software Enterprises Ltd shareholders' equity:		
Share capital:		
Ordinary shares of NIS 1 par value - Authorized: 50,000,000 shares as of, June 30, 2025 and December 31, 2024;		
Issued and Outstanding: 49,099,305 shares as of June 30, 2025 and December 31, 2024	1,166	1,166
Additional paid-in capital	169,722	180,336
Accumulated other comprehensive loss	(3,194)	(12,114)
Retained earnings	<u>111,143</u>	<u>107,802</u>
Total equity attributable to Magic Software Enterprises Ltd shareholders	278,837	277,190
Non-controlling interests	<u>23,460</u>	<u>23,879</u>
Total equity	<u>302,297</u>	<u>301,069</u>
Total liabilities and equity	<u>541,652</u>	<u>540,331</u>

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

U.S. dollars in thousands (except share and per share data)

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2025	2024	2025	2024	2024
	Unaudited		Unaudited		
Revenues:					
Software solutions	\$ 23,325	\$ 18,360	\$ 12,122	\$ 9,238	\$ 38,166
Maintenance and technical support	17,957	17,263	9,184	8,002	34,774
Consulting services	257,696	231,347	130,336	119,010	479,580
Total revenues	298,978	266,970	151,642	136,250	552,520
Cost of revenues:					
Software solutions	5,362	5,231	2,513	2,359	10,903
Maintenance and technical support	1,727	1,652	887	802	3,235
Consulting services	208,884	184,545	105,868	94,246	380,555
Total cost of revenues	215,973	191,428	109,268	97,407	394,693
Gross profit	83,005	75,542	42,374	38,843	157,827
Research and development expenses, net	6,672	5,640	3,425	2,847	13,310
Selling and marketing expenses	23,168	20,547	12,376	10,678	42,100
General and administrative expenses	21,778	19,462	10,929	10,157	42,009
Change in valuation of contingent consideration related to acquisitions	-	427	-	121	(829)
Operating income	31,387	29,466	15,644	15,040	61,237
Financial expenses	(9,671)	(5,729)	(5,622)	(3,730)	(9,103)
Financial income	7,982	3,016	4,931	2,547	3,163
Increase in valuation of contingent consideration related to acquisitions	(101)	(166)	(34)	(52)	(302)
Company's share of losses of a company accounted for at equity, net	(292)	(149)	(166)	(85)	(376)
Income before taxes on income	29,305	26,438	14,753	13,720	54,619
Taxes on income	6,236	5,769	3,324	3,040	11,328
Net income	\$ 23,069	\$ 20,669	\$ 11,429	\$ 10,680	\$ 43,291
Attributable to:					
Equity holders of the Company	19,396	17,830	9,918	9,033	36,883
Non-controlling interests	3,673	2,839	1,511	1,647	6,408
	\$ 23,069	\$ 20,669	\$ 11,429	\$ 10,680	\$ 43,291
Net earnings per share attributable to equity holders of the Company					
Basic and diluted earnings per share	\$ 0.40	\$ 0.36	\$ 0.20	\$ 0.18	\$ 0.75

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

U.S. dollars in thousands (except share and per share data)

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2025	2024	2025	2024	2024
	Unaudited		Unaudited		
Net income	\$ 23,069	\$ 20,669	\$ 11,429	\$ 10,680	\$ 43,291
Other comprehensive income (loss) net of tax effect:					
Amounts that will be or that have been reclassified to profit or loss when specific conditions are met:					
Foreign exchange differences on translation of foreign operations	11,220	(5,448)	12,713	(2,770)	(1,923)
Total other comprehensive income (loss), net of tax	11,220	(5,448)	12,713	(2,770)	(1,923)
Total comprehensive income	34,289	15,221	24,142	7,910	41,368
Total comprehensive income attributable to:					
Equity holders of the Company	28,316	13,557	19,686	6,953	35,083
Non-controlling interests	5,973	1,664	4,456	957	6,285
	\$ 34,289	\$ 15,221	\$ 24,142	\$ 7,910	\$ 41,368

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

U.S. dollars in thousands (except per share data)

	Share Capital		Additional	Retained	Accumulated	Non-	Total
	Number	Amount	paid-in	earnings	Other	controlling	Equity
			capital		Comprehensive	interests	
					Income (loss)		
Balance as of January 1, 2025	49,099,305	\$ 1,166	\$ 180,336	\$ 107,802	\$ (12,114)	\$ 23,879	\$ 301,069
Net income	-	-	-	19,396	-	3,673	23,069
Other comprehensive loss	-	-	-	-	8,920	2,300	11,220
Total comprehensive income	-	-	-	19,396	8,920	5,973	34,289
Dividend to Magic Software shareholders	-	-	-	(16,055)	-	-	(16,055)
Dividend to non-controlling interests in subsidiaries	-	-	-	-	-	(2,446)	(2,446)
Cost of share-based payment	-	-	-	-	-	37	37
Excess tax benefit from share-based payment recognized in equity	-	-	787	-	-	179	966
Acquisition of non-controlling interests	-	-	(10,627)	-	-	(3,195)	(13,822)
Settlement of put options over non-controlling interest	-	-	(774)	-	-	(967)	(1,741)
Balance as of June 30, 2025	49,099,305	\$ 1,166	\$ 169,722	\$ 111,143	\$ (3,194)	\$ 23,460	\$ 302,297

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

U.S. dollars in thousands (except per share data)

	Share Capital		Additional	Retained	Accumulated	Non-	Total
	Number	Amount	paid-in	earnings	Other	controlling	Equity
			capital		Comprehensive	interests	
					Income (loss)		
Balance as of January 1, 2024	49,099,305	\$ 1,166	\$ 182,607	\$ 92,522	\$ (10,314)	\$ 24,963	\$ 290,944
Net income	-	-	-	36,883	-	6,408	43,291
Other comprehensive loss	-	-	-	-	(1,800)	(123)	(1,923)
Total comprehensive income	-	-	-	36,883	(1,800)	6,285	41,368
Dividend to Magic Software shareholders	-	-	-	(21,603)	-	-	(21,603)
Dividend to non-controlling interests in subsidiaries	-	-	-	-	-	(9,988)	(9,988)
Cost of share-based payment	-	-	-	-	-	1,607	1,607
Non-controlling interests arising from initially consolidated companies	-	-	-	-	-	80	80
Initial recognition of non-controlling interests	-	-	81	-	-	90	171
Acquisition of non-controlling interests	-	-	-	-	-	(314)	(314)
Settlement of put options over non-controlling interest	-	-	(2,352)	-	-	1,156	(1,196)
Balance as of December 31, 2024	49,099,305	\$ 1,166	\$ 180,336	\$ 107,802	\$ (12,114)	\$ 23,879	\$ 301,069

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Six months ended June 30, 2025 Unaudited	Six months ended June 30, 2024 Unaudited	Year ended December 31, 2024
<u>Cash flows from operating activities:</u>			
Net income	\$ 23,069	\$ 20,669	\$ 43,291
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	10,996	10,106	20,762
Cost of share-based payment	37	1,195	1,607
Change in deferred taxes, net	(1,244)	(1,559)	(1,564)
Payments of contingent consideration related to acquisitions	-	-	(922)
Capital loss on sale of fixed assets	19	-	7
Change in value of financial assets measured at fair value through profit or loss	67	-	(27)
Effect of exchange rate on of cash and cash equivalents held in currencies other than the functional currency	(1,318)	389	(82)
Changes in value of short-term and long-term loans from banks and others and deposits, net	(591)	(1,089)	(676)
<u>Working capital adjustments:</u>			
Trade receivables	(3,980)	100	(4,583)
Accrued expenses and other accounts payable	(3,504)	3,794	13,647
Other current and long-term accounts receivable	1,368	(2,071)	(4,746)
Trade payables	(4,961)	1,941	510
Deferred revenues	1,297	7,904	7,609
Net cash provided by operating activities	21,255	41,379	74,833

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Six months ended June 30, 2025 Unaudited	Six months ended June 30, 2024 Unaudited	Year ended December 31, 2024
Cash flows from investing activities:			
Capitalized software development costs	(988)	(1,483)	(2,650)
Purchase of property and equipment	(827)	(618)	(1,535)
Cash paid in conjunction with deferred payments and contingent liabilities related to business combinations	(1,828)	(7,238)	(6,852)
Payments for business acquisitions, net of cash acquired	(3,614)	(10,248)	(12,489)
Proceeds from sale of property and equipment	47	-	45
Proceeds from sale (purchase) of financial assets, net	(532)	968	585
Change in short-term and long-term deposits	44	521	482
Investment in a company accounted for at equity	-	(123)	(198)
Net cash used in investing activities	(7,698)	(18,221)	(22,612)
Cash flows from financing activities:			
Proceeds from sale of non-controlling interest	-	174	-
Dividend paid to Magic Software shareholders	(27,642)	-	(10,016)
Dividend paid to non-controlling interests	(5,232)	(2,210)	(7,870)
Repayment of lease liabilities	(3,109)	(2,956)	(6,029)
Purchase of non-controlling interest	(13,822)	(314)	(314)
Receipt of short-term and long-term loans from banks and others	26,376	10,707	12,603
Repayment of short-term and long-term loans	(18,624)	(25,018)	(33,695)
Cash paid due to exercise of put option by non-controlling interests	-	-	176
Net cash used in financing activities	(42,053)	(19,617)	(45,145)
Effect of exchange rate changes on cash and cash equivalents	5,674	(1,842)	(240)
Increase (decrease) in cash and cash equivalents	(22,822)	1,699	6,836
Cash and cash equivalents at the beginning of the period	112,779	105,943	105,943
Cash and cash equivalents at end of the period	\$ 89,957	\$ 107,642	\$ 112,779

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

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**U.S. dollars in thousands (except share and per share data)****NOTE 1: GENERAL**

- 1) Magic Software Enterprises Ltd., an Israeli company (“the Company” or “Magic”), is a leading global provider of: (i) proprietary application development and business process integration platforms that accelerate the planning, development, deployment and integration of on-premise, mobile and cloud business applications (“the Magic Technology”); (ii) selected packaged vertical software solutions; and (iii) software services and IT outsourcing services.

Magic’s software solutions and software services enable enterprises to accelerate the process of delivering business solutions that meet current and future needs and allow customers to dramatically improve their business performance and return on investment. To complement its software products and to increase its traction with customers, the Company also offers a complete portfolio of software services in the areas of infrastructure design and delivery, application development, technology planning and implementation services, communications services and solutions, and supplemental IT professional outsourcing services. The Company reports its results on the basis of two reportable business segments: software solutions (which include proprietary and non-proprietary software solutions, maintenance and support and related services) and IT professional services (see Note 3 for further details).

The Company’s principal markets are in the United States, Israel, Europe and Japan.

- 2) These financial statements have been prepared in a condensed format as of June 30, 2025, and for the three-month and six-month periods then ended (“the interim consolidated financial statements”). The interim condensed consolidated financial statements as of June 30, 2025, include those of the Company and its subsidiaries (“the Group”). These condensed interim consolidated financial statements should be read in conjunction with the Company’s annual consolidated financial statements as of December 31, 2024, and for the year then ended, including the accompanying notes (“the annual consolidated financial statements”).
- 3) Our controlling shareholder, Formula Systems (1985) Ltd., (“Formula Systems”) beneficially owns approximately 46.71% of our outstanding ordinary shares. Asseco Poland S.A., (“Asseco”), a Polish company listed on Warsaw Stock Exchange, beneficially owns 25.82% of the outstanding shares of Formula Systems.

NOTE 2: MATERIAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in the condensed interim consolidated financial statements for all periods presented, unless otherwise stated.

- 1) Basis of presentation of the interim consolidated financial statements

The interim consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting.

The accounting policies applied in the preparation of the interim consolidated financial statements are consistent with those applied in the preparation of the annual consolidated financial statements.

- 2) Accounting pronouncements adopted in the current period or not yet adopted:

- In August 2023, the IASB issued “Amendments to IAS 21: Lack of Exchangeability (Amendments to IAS 21, “The Effects of Changes in Foreign Exchange Rates”)” (“the Amendments”) to clarify how an entity should assess whether a currency is exchangeable and how it should measure and determine a spot exchange rate when exchangeability is lacking.

The Amendments set out the requirements for determining the spot exchange rate when a currency lacks exchangeability. The Amendments require disclosure of information that will enable users of financial statements to understand how a currency not being exchangeable affects or is expected to affect the entity’s financial performance, financial position and cash flows.

The Amendments apply for annual reporting periods beginning on or after January 1, 2025.

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**U.S. dollars in thousands (except share and per share data)**

NOTE 2: MATERIAL ACCOUNTING POLICIES (Cont.)

The Amendments did not have a material impact on the interim consolidated financial statements.

- **IFRS 18 – Presentation and Disclosure in Financial Statements**

In April 2024, the International Accounting Standards Board (IASB) issued International Financial Reporting Standard 18 (IFRS 18), Presentation and Disclosure in Financial Statements (hereinafter: “the new standard”), which replaces International Accounting Standard 1 (IAS 1), Presentation of Financial Statements.

The objective of the new standard is to enhance comparability and transparency in financial statements.

IFRS 18 incorporates existing requirements from IAS 1 as well as introduces new requirements for the presentation in the statement of profit or loss, including presentation of specified line items and subtotals as required by the new standard, disclosures regarding management-defined performance measures (MPMs), and new requirements for the aggregation and disaggregation of financial information.

The new standard does not change the recognition and measurement principles of items in the financial statements. However, since items in the statement of profit or loss will need to be classified into one of five categories (operating, investing, financing, income taxes, and discontinued operations), it may affect the entity’s reported operating profit.

In addition, the issuance of IFRS 18 has resulted in limited amendments to other accounting standards, including IAS 7 – Statement of Cash Flows, and IAS 34 – Interim Financial Reporting.

The new standard is to be applied retrospectively for annual reporting periods beginning on or after January 1, 2027. Early adoption is permitted, with appropriate disclosure, for periods beginning on or after January 1, 2025.

The Company is currently evaluating the impact of the new standard, including the effect of the related amendments to other accounting standards, on its consolidated financial statements.

NOTE 3: REPORTABLE SEGMENTS

- The Company reports its results on the basis of two reportable business segments: software solutions (which include proprietary and non-proprietary software technology) and IT professional services. The Company’s chief operating decision maker is the Chief Executive Officer who makes operating decisions, assesses performance and allocates resources on a consolidated basis.

The Company evaluates segment performance based on revenues and operating income of each segment. The accounting policies of the reportable segments are the same as those described in the summary of material accounting policies.

Headquarters’ general and administrative costs have not been allocated between the two segments.

Software solutions

The Company develops, markets, sells and supports both proprietary and non-proprietary application platforms, software applications, business and process integration solutions and related services.

IT professional services

The Company offers advanced and flexible IT services in the areas of infrastructure design and delivery, application development, technology planning and implementation services, communications services and solutions, as well as supplemental outsourcing services.

There are no significant transactions between the two segments.

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 3: REPORTABLE SEGMENTS (Cont.)

b. The following is information about reportable segment results of operation:

	Software solutions	IT professional services	Unallocated expense	Total
Six months ended June 30, 2025				
Total revenues	\$ 48,296	\$ 250,682	\$ -	\$ 298,978
Expenses	35,759	229,057	2,775	267,591
Operating income (loss)	\$ 12,537	\$ 21,625	\$ (2,775)	\$ 31,387
Depreciation and amortization	\$ 3,851	\$ 6,471	\$ 674	\$ 10,996
Six months ended June 30, 2024				
Total revenues	\$ 48,121	\$ 218,849	\$ -	\$ 266,970
Expenses	34,196	200,462	2,846	237,504
Operating income (loss)	\$ 13,925	\$ 18,387	\$ (2,846)	\$ 29,466
Depreciation and amortization	\$ 3,968	\$ 5,587	\$ 551	\$ 10,106
Three months ended June 30, 2025				
Total revenues	\$ 24,485	\$ 127,157	\$ -	\$ 151,642
Expenses	17,831	116,665	1,502	135,998
Operating income	\$ 6,654	\$ 10,492	\$ (1,502)	\$ 15,644
Depreciation and amortization	\$ 1,882	\$ 3,492	\$ 345	\$ 5,719
Three months ended June 30, 2024				
Total revenues	\$ 24,187	\$ 112,063	\$ -	\$ 136,250
Expenses	17,028	102,828	1,354	121,210
Operating income	\$ 7,159	\$ 9,235	\$ (1,354)	\$ 15,040
Depreciation and amortization	\$ 2,089	\$ 2,855	\$ 273	\$ 5,217
The year ended December 31, 2024				
Total revenues	\$ 94,903	\$ 457,617	\$ -	\$ 552,520
Expenses	69,268	417,746	4,269	491,283
Operating income	\$ 25,635	\$ 39,871	\$ (4,269)	\$ 61,237
Depreciation and amortization	\$ 8,204	\$ 11,368	\$ 1,190	\$ 20,762

NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**U.S. dollars in thousands (except share and per share data)**

NOTE 4: SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

- a. On March 11, 2025, the Company entered into a non-binding Memorandum of Understanding (“MOU”) with Matrix I.T Ltd., a related party and a leading Israeli IT services public company (whose shares are traded on the Tel Aviv Stock Exchange), regarding a potential merger. Under the proposed transaction, Matrix would acquire the entire share capital of the Company through a reverse triangular merger, resulting in Magic becoming a private company wholly owned by Matrix. Magic’s shareholders will receive merger consideration in Matrix shares. The relative valuations of both companies have been agreed upon at 31.125% for Magic and 68.875% for Matrix. Consequently, following the merger, Magic’s shareholders will hold 31.125% of the issued and outstanding share capital of Matrix, and the shareholders who held Matrix’s shares prior to the merger will hold 68.875%, both on a fully diluted basis. The transaction is subject to the completion of due diligence, execution of a definitive agreement, regulatory approvals, and shareholder approvals, including approval by a special majority of minority shareholders in accordance with Israeli law. As of the date of approval of these financial statements, the merger has not been completed and there is no certainty that it will be completed.
- b. On March 11, 2025, in accordance with its dividend distribution policy, Magic’s board of directors declared a semi-annual cash dividend of \$0.327 per ordinary share for a total amount of approximately \$16,055. The total cash dividend was paid on May 7, 2025, which together with prior dividend distribution declared on November 18, 2024 and paid on January 8, 2025, amounted to \$27,642, reflecting approximately 75% of the Company’s distributable profits for the year ended December 31, 2024.
- c. In April 2025, the Company acquired additional ordinary shares of its Comm-IT subsidiary. Pursuant to the transaction, the Company’s ownership interest in CommIT increased from 68.15% to approximately 79.32% on a fully diluted basis. The aggregate cash consideration paid to the selling shareholders amounted to approximately NIS 50.4 million. Following the transaction, CommIT remains a consolidated subsidiary of the Company. The transaction was accounted for as an equity transaction with non-controlling interests in accordance with IFRS 10, and no gain or loss was recognized in profit or loss.

NOTE 5: SUBSEQUENT EVENTS

- a. On August 13, 2025, in accordance with its dividend distribution policy, Magic’s board of directors declared a semi-annual cash dividend of \$0.296 per ordinary share for a total amount of approximately \$14,500, reflecting approximately 75% of the Company’s distributable profits for the six-month period ended June 30, 2025. The dividend will be paid on October 22, 2025.



CHAPTER B

Interim Consolidated Financial Statements as at June 30, 2025 Unaudited

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





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To
The Shareholders of
Matrix IT Ltd.

Ladies and gentlemen,

Review Report of the Independent Auditor to the Shareholders of Matrix IT Ltd.

Introduction

We have reviewed the accompanying interim financial information of Matrix IT Ltd. and its subsidiaries (the “**Group**”), that includes the condensed interim consolidated statement of financial position as at June 30, 2025, and the related condensed interim consolidated statements of profit and loss and other comprehensive income, changes in equity, and cash flows for the six and three month periods then ended. The Board of Directors and management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 “Interim Financial Reporting” and they are also responsible for the preparation of this interim financial information in accordance with Chapter D of 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 (Israel) 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 smaller 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 the abovementioned financial information is not prepared, in all material respects, in accordance with IAS 34.

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

Tel Aviv, Israel
August 11, 2025

Zif Haft
- Certified Public Accountants (Isr.)
BDO Member Firm

Consolidated Statements of Financial Position
(NIS thousands)

	As at June 30, 2025	As at June 30, 2024	As at December 31, 2024
	Unaudited	Unaudited	Audited
Current assets			
Cash and cash equivalents	547,753	498,400	668,495
Trade receivables and unbilled receivables, net	1,876,794	1,666,154	1,926,190
Income tax receivable	33,917	43,362	53,567
Other accounts receivable	152,864	138,349	122,273
Inventories	151,127	107,220	101,861
	2,762,455	2,453,485	2,872,386
Non-current assets			
Investment in a financial asset measured at fair value through profit and loss	14,512	17,146	17,146
Prepaid expenses	55,565	41,225	30,203
Right-of-use assets	378,615	215,918	369,935
Property, plant, and equipment	101,022	93,396	101,616
Goodwill	993,995	926,199	955,988
Intangible assets	96,933	87,524	89,893
Deferred taxes	52,019	*44,830	42,469
	1,692,661	1,426,238	1,607,250
	4,455,116	3,879,723	4,479,636

* Reclassification - The Company reclassified comparative figures to reflect offsetting between deferred tax assets and deferred tax liabilities for right-of-use assets and lease liabilities related to the same tax authority and the same taxable entity.

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

Consolidated Statements of Financial Position
(NIS thousands)

	As at June 30, 2025 Unaudited	As at June 30, 2024 Unaudited	As at December 31, 2024 Audited
Current liabilities			
Credit from banks and other credit providers	389,443	442,813	388,640
Current maturities of debentures	79,955	82,698	81,341
Current maturities of lease liabilities	117,648	105,678	115,574
Trade payables	831,976	580,187	926,753
Income tax payable	6,908	11,759	21,063
Other accounts payable	104,555	98,485	133,631
Employees and payroll accruals	480,338	438,931	510,995
Liabilities in respect of business combinations	7,383	469	10,244
Put options for non-controlling interests	88,026	79,272	82,308
Deferred revenues	424,058	326,721	382,119
	2,530,290	2,167,013	2,652,668
Non-current liabilities			
Loans from banks and other lenders	66,751	42,611	19,671
Debentures	262,705	327,917	295,427
Deferred revenues	56,218	64,194	45,667
Put options for non-controlling interests	62,984	25,991	24,764
Lease liabilities	272,292	111,057	257,235
Deferred taxes	29,453	*25,013	23,871
Liabilities in respect of business combinations	9,448	-	8,371
Employee benefit liabilities	11,948	8,005	7,635
	771,799	604,788	682,641
Equity attributable to Company shareholders			
Share capital and capital reserves	345,039	384,663	380,099
Retained earnings	750,131	673,924	708,634
	1,095,170	1,058,587	1,088,733
Non-controlling interests	57,857	49,335	55,594
Total equity	1,153,027	1,107,922	1,144,327
	4,455,116	3,879,723	4,479,636

* Reclassification - The Company reclassified comparative figures to reflect offsetting between deferred tax assets and deferred tax liabilities for right-of-use assets and lease liabilities related to the same tax authority and the same taxable entity.

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

August 11, 2025			
Date of approval of the financial statements	Guy Bernstein Chair of the Board of Directors	Moti Gutman CEO	Nevo Brenner CFO

Consolidated Statements of Profit and Loss and Other Comprehensive Income - (NIS thousands)

	For the six months ended June 30, 2025	For the six months ended June 30, 2024	For the three months ended June 30, 2025	For the three months ended June 30, 2024	For the year ended December 31, 2024
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Revenues	2,997,579	2,786,445	1,451,379	1,332,732	5,579,538
Cost of sales and services	2,547,822	2,377,516	1,228,682	1,130,946	4,746,544
Gross profit	449,757	408,929	222,697	201,786	832,994
Selling and marketing expenses	104,893	97,663	50,052	46,615	196,231
General and administrative expenses	92,154	89,333	45,926	43,916	186,689
Operating income	252,710	221,933	126,719	111,255	450,074
Financial expenses	55,369	42,388	30,071	20,898	86,956
Financial income	10,609	10,969	4,689	6,065	20,084
Income before taxes on income	207,950	190,514	101,337	96,422	383,202
Taxes on income	51,084	45,991	25,054	23,321	94,978
Net income	156,866	144,523	76,283	73,101	288,224
Other comprehensive income (net of tax effects)					
Amounts that will not be subsequently reclassified to profit or loss					
Gain from remeasurement of defined benefit plans	1,789	1,928	454	1,138	2,722
Amounts that will be, or that have been, reclassified to profit or loss if specific conditions are met					
Adjustments for translation of financial statements	(23,934)	11,894	(30,474)	7,065	(1,140)
Change in fair value of instruments used in cash flow hedging	(1,729)	(195)	(1,450)	(272)	(4)
Total comprehensive income	132,992	158,150	44,813	81,032	289,802
Net earnings attributable to:					
Company shareholders	148,497	138,141	72,918	69,495	272,422
Non-controlling interests	8,369	6,382	3,365	3,606	15,802
	156,866	144,523	76,283	73,101	288,224
Total comprehensive income attributable to:					
Company shareholders	124,923	151,616	41,777	77,570	273,804
Non-controlling interests	8,069	6,534	3,036	3,462	15,998
	132,992	158,150	44,813	81,032	289,802
Net earnings per share attributable to the Company's shareholders (NIS)					
Basic net income	2.34	2.17	1.15	1.09	4.29
Diluted net income	2.33	2.17	1.14	1.09	4.29

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

Consolidated Statements of Changes in Equity
Unaudited (NIS thousands)

				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
	Share capital	Share premium	Treasury shares							
Balance at January 1, 2025 (audited)	68,255	309,447	(7,982)	(9,675)	10,186	9,868	708,634	1,088,733	55,594	1,144,327
Net income	-	-	-	-	-	-	497,148	148,497	8,369	156,866
Adjustments for translation of financial statements of foreign operations and cash flow hedge	-	-	-	(25,363)	-	-	-	(25,363)	(300)	(25,663)
Actuarial gain from remeasurement of defined benefit plans	-	-	-	-	-	-	1,789	1,789	-	1,789
Total other comprehensive income	-	-	-	(25,363)	-	-	1,789	(23,574)	(300)	(23,874)
Total comprehensive income	-	-	-	(25,363)	-	-	150,286	124,923	8,069	132,992
Exercise of employee options	254	18,188	-	-	-	(18,442)	-	-	-	-
Dividend declared	-	-	-	-	-	-	(108,789)	(108,789)	-	(108,789)
Dividend to non- controlling interests	-	-	-	-	-	-	-	-	(5,806)	(5,806)
Transactions with non- controlling interests	-	-	-	-	-	(14,103)	-	(14,103)	-	(14,103)
Share-based payment	-	-	-	-	-	4,406	-	4,406	-	4,406
Balance at June 30, 2025	68,509	327,635	(7,982)	(35,038)	10,186	(18,271)	750,131	1,095,170	57,857	1,153,027

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

Consolidated Statements of Changes in Equity
Unaudited (NIS thousands)

	Share capital	Share premium	Treasury shares	Reserve for adjustments arising from translation of financial statements of foreign operations and cash flow hedge	Reserve for transactions between a corporation and a controlling shareholder	Reserve for share-based payment and transactions with non- controlling interests	Retained earnings	Total attributable to Company shareholders	Non- controlling interests	Total Equity
Balance as at January 1, 2024 (audited)	<u>68,255</u>	<u>309,447</u>	<u>(7,982)</u>	<u>(8,335)</u>	<u>10,186</u>	<u>11,035</u>	<u>665,981</u>	<u>1,048,587</u>	<u>58,885</u>	<u>1,107,472</u>
Net income	-	-	-	-	-	-	138,141	138,141	6,382	144,523
Adjustments for translation of financial statements of foreign operations and cash flow hedge	-	-	-	11,547	-	-	-	11,547	152	11,699
Actuarial gain from remeasurement of defined benefit plans	-	-	-	-	-	-	1,928	1,928	-	1,928
Total other comprehensive income	-	-	-	11,547	-	-	1,928	13,475	152	13,627
Total comprehensive income	-	-	-	11,547	-	-	140,069	151,616	6,534	158,150
Dividend declared	-	-	-	-	-	-	(132,126)	(132,126)	-	(132,126)
Dividend to non- controlling interests	-	-	-	-	-	-	-	-	(8,672)	(8,672)
Transactions with non- controlling interests	-	-	-	-	-	(18,487)	-	(18,487)	(7,412)	(25,899)
Share-based payment	-	-	-	-	-	8,997	-	8,997	-	8,997
Balance at June 30, 2024	<u>68,255</u>	<u>309,447</u>	<u>(7,982)</u>	<u>3,212</u>	<u>10,186</u>	<u>1,545</u>	<u>673,924</u>	<u>1,058,587</u>	<u>49,335</u>	<u>1,107,922</u>

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

Consolidated Statements of Changes in Equity
Unaudited (NIS thousands)

	Share capital	Share premium	Treasury shares	Reserve for adjustments arising from translation of financial statements of foreign operations and cash flow hedge	Reserve for transactions between a corporation and a controlling shareholder	Reserve for share-based payment and transactions with non- controlling interests	Retained earnings	Total attributable to Company shareholders	Non- controlling interests	Total Equity
Balance at April 1, 2025	68,494	326,638	(7,982)	(3,443)	10,186	(18,644)	733,387	1,108,636	60,627	1,169,263
Net income	-	-	-	-	-	-	72,918	72,918	3,365	76,283
Adjustments for translation of financial statements of foreign operations and cash flow hedge	-	-	-	(31,595)	-	-	-	(31,595)	(329)	(31,924)
Actuarial gain from remeasurement of defined benefit plans	-	-	-	-	-	-	454	454	-	454
Total other comprehensive income	-	-	-	(31,595)	-	-	454	(31,141)	(329)	(31,470)
Total comprehensive income	-	-	-	(31,595)	-	-	73,372	41,777	3,036	44,813
Exercise of employee options	15	997	-	-	-	(1,012)	-	-	-	-
Dividend declared							(56,628)			
Dividend to non- controlling interests	-	-	-	-	-	-	-	-	(5,806)	(5,806)
Share-based payment	-	-	-	-	-	1,385	-	1,385	-	1,385
Balance at June 30, 2025	68,509	327,635	(7,982)	(35,038)	10,186	(18,271)	750,131	1,095,170	57,857	1,153,027

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

Consolidated Statements of Changes in Equity
Unaudited (NIS Thousands)

	Share capital	Share premium	Treasury shares	Reserve for adjustments arising from translation of financial statements of foreign operations and cash flow hedge	Reserve for transactions between a corporation and a controlling shareholder	Reserve for adjustments arising from translation of financial statements of foreign operations and cashflow hedge	Retained earnings	Total attributable to Company shareholders	Non- controlling interests	Total Equity
Balance at April 1, 2024	68,255	309,447	(7,982)	(3,725)	10,186	(1,572)	654,744	1,029,353	54,057	1,083,410
Net income	-	-	-	-	-	-	69,495	69,495	3,606	73,101
Adjustments for translation of financial statements of foreign operations and cash flow hedge	-	-	-	6,937	-	-	-	6,937	(144)	6,793
Actuarial gain from remeasurement of defined benefit plans	-	-	-	-	-	-	1,138	1,138	-	1,138
Total other comprehensive income	-	-	-	6,937	-	-	1,138	8,075	(144)	7,931
Total comprehensive income	-	-	-	6,937	-	-	70,633	77,570	3,462	81,032
Transactions with non- controlling interests	-	-	-	-	-	(1,392)	-	(1,392)	(1,608)	(3,000)
Dividend declared	-	-	-	-	-	-	(51,453)	(51,453)	-	(51,453)
Dividend to non- controlling interests	-	-	-	-	-	-	-	-	(6,576)	(6,576)
Share-based payment	-	-	-	-	-	4,509	-	4,509	-	4,509
Balance at June 30, 2024	68,255	309,447	(7,982)	3,212	10,186	1,545	673,924	1,058,587	49,335	1,107,922

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

Consolidated Statements of Changes in Equity
Unaudited (NIS thousands)

				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
	Share capital	Share premium	Treasury shares							
Balance at January 1, 2024	<u>68,255</u>	<u>309,447</u>	<u>(7,982)</u>	<u>(8,335)</u>	<u>10,186</u>	<u>11,035</u>	<u>665,981</u>	<u>1,048,587</u>	<u>58,885</u>	<u>1,107,472</u>
Net income	-	-	-	-	-	-	272,422	272,422	15,802	288,224
Adjustments for translation of financial statements of foreign operations and cash flow hedge	-	-	-	(1,340)	-	-	-	(1,340)	196	(1,144)
Actuarial gain from remeasurement of defined benefit plans	-	-	-	-	-	-	2,722	2,722	-	2,722
Total other comprehensive income	-	-	-	(1,340)	-	-	2,722	1,382	196	1,578
Total comprehensive income	-	-	-	(1,340)	-	-	275,144	273,804	15,998	289,802
Non-controlling interests in a company that was consolidated for the first time	-	-	-	-	-	-	-	-	950	950
Dividend declared	-	-	-	-	-	-	(232,491)	(232,491)	-	(232,491)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	(13,133)	(13,133)
Transactions with non-controlling interests	-	-	-	-	-	(19,193)	-	(19,193)	(7,106)	(26,299)
Share-based payment	-	-	-	-	-	18,026	-	18,026	-	18,026
Balance at December 31, 2024	<u>68,255</u>	<u>309,447</u>	<u>(7,982)</u>	<u>(9,675)</u>	<u>10,186</u>	<u>9,868</u>	<u>708,634</u>	<u>1,088,733</u>	<u>55,594</u>	<u>1,144,327</u>

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

Consolidated Statements of Cash Flows
(NIS thousands)

	For the six months ended June 30, 2025	For the six months ended June 30, 2024	For the three months ended June 30, 2025	For the three months ended June 30, 2024	For the year ended December 31, 2024
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Cash flows from operating activities					
Net income	156,866	144,523	76,283	73,101	288,224
Adjustments required to reconcile net income to net cash (used in) provided by operating activities:					
Adjustments to profit and loss items					
Depreciation and amortization	98,946	90,538	49,348	43,732	186,811
Taxes on income	51,084	45,991	25,054	23,321	94,978
Change in liabilities for employee benefits	4,224	1,404	1,088	909	1,553
Other financial expenses, net	27,398	11,199	17,715	4,993	27,619
Revaluation of long-term bank loans	670	(205)	(134)	(97)	(392)
Revaluation of liabilities in respect of business combinations	1,634	(2,741)	785	(2,741)	(1,741)
Capital gain from disposal of property, plant, and equipment	(596)	(248)	(93)	(196)	(301)
Share-based payment	4,406	8,997	1,385	4,509	18,026
Revaluation of liabilities for put options for non-controlling interests	7,430	6,017	3,473	3,905	15,321
	195,196	160,952	98,621	78,335	341,874
Changes in assets and liabilities items					
Increase (decrease) in trade receivables	121,144	16,250	127,403	63,923	(245,505)
Decrease (increase) in other receivables and prepaid expenses	(58,052)	(44,427)	35,326	(8,112)	(15,712)
Decrease (increase) in inventories	(47,865)	38,869	(61,810)	12,972	44,413
Increase (decrease) in trade payables	(124,505)	(207,343)	(50,144)	(75,628)	140,568
Increase (decrease) in employees and institutions, deferred revenues, and other accounts payable	(42,299)	47,099	(66,436)	(35,418)	188,813
	(151,577)	(149,552)	(15,661)	(42,263)	112,577
Cash paid and received over the course of the period for					
Interest paid	(25,099)	(26,207)	(6,592)	(8,926)	(49,375)
Interest received	10,609	10,969	4,689	6,065	20,084
Taxes paid	(69,015)	(71,722)	(39,237)	(27,568)	(124,758)
Taxes received	20,154	24,850	4,358	16,892	30,595
	(63,351)	(62,110)	(36,782)	(13,537)	(123,454)
Net cash provided by operating activities	137,134	93,813	122,461	95,636	619,221

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

Consolidated Statements of Cash Flows
(NIS thousands)

	For the six months ended June 30, 2025	For the six months ended June 30, 2024	For the three months ended June 30, 2025	For the three months ended June 30, 2024	For the year ended December 31, 2024
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Cash flows from investment activities					
Proceeds from sale of property, plant, and equipment	1,140	1,559	173	582	1,936
Acquisition of property, plant, and equipment	(15,711)	(15,811)	(5,733)	(6,227)	(41,541)
Acquisition of subsidiaries consolidated for the first time (a)	(65,362)	-	-	-	(17,321)
Net cash from used in investment activities	(79,933)	(14,252)	(5,560)	(5,645)	(56,926)
Cash flows from financial activities					
Short-term credit from banks and other credit providers, net	-	63,234	(11,021)	22,594	(24,019)
Receipt from the issuing of commercial securities (NAAM)	-	-	-	-	100,000
Repayment of long-term loans from banks and credit providers	(77,566)	(89,329)	(44,898)	(44,707)	(179,003)
Dividend distribution	(100,438)	(80,673)	(52,161)	(80,673)	(184,214)
Payment in respect of long-term loans from banks and credit providers	120,000	-	-	-	-
Repayment of liabilities in respect of business combinations	(3,418)	(561)	(1,686)	(561)	(11,561)
Repayment of lease liabilities	(58,583)	(64,354)	(31,244)	(32,842)	(129,435)
Dividend distribution to non-controlling interests	(7,835)	(18,838)	(7,292)	(16,742)	(30,271)
Repayment of liabilities for put options to non-controlling interests	-	(1,124)	-	(1,124)	(1,124)
Acquisition of non-controlling interests	-	(3,499)	-	(3,000)	(3,899)
Repayment of debentures	(33,959)	(33,959)	-	-	(67,918)
Net cash used in financial activities	(161,799)	(229,103)	(148,302)	(157,055)	(531,444)
Translation differences for cash and cash equivalent balances	(16,144)	7,734	(20,819)	4,631	(2,564)
Increase (decrease) in cash and cash equivalents	(120,742)	(141,808)	(52,220)	(62,433)	28,287
Balance of cash and cash equivalents at the beginning of the period	668,495	640,208	599,973	560,833	640,208
Balance of cash and cash equivalents at end of the period	547,753	498,400	547,753	498,400	668,495

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

Consolidated Statements of Cash Flows
(NIS thousands)

	For the six months ended June 30, 2025	For the six months ended June 30, 2024	For the three months ended June 30, 2025	For the three months ended June 30, 2024	For the year ended December 31, 2024
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
(a) Acquisition of subsidiaries consolidated for the first time					
The subsidiaries' assets and liabilities at date of acquisition:					
Working capital (other than cash and cash equivalents)	(11,991)	-	-	-	663
Property, plant, and equipment	(1,322)	-	-	-	(270)
Income tax receivable	(3,255)	-	-	-	-
Deferred tax	(3,289)	-	-	-	(155)
Inventories	(1,401)	-	-	-	(185)
Goodwill	(55,537)	-	-	-	(36,038)
Intangible assets	(21,666)	-	-	-	(13,656)
Employee benefit liabilities	2,414	-	-	-	-
Provision for tax	4,983	-	-	-	3,224
Liabilities for options to holders of non-controlling interests	25,702	-	-	-	-
Non-controlling interests	-	-	-	-	950
Liabilities in respect of business combinations	-	-	-	-	28,146
	(65,362)	-	-	-	(17,321)
(b) Significant non-cash transactions					
Distribution of dividend declared and not yet paid	56,628	51,453	56,628	51,453	48,277
Right-of-use asset recognized with corresponding lease liability	76,164	65,143	24,003	18,767	286,695
Issuing call options to non-controlling interests	-	22,400	-	-	22,400

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

Notes to the Interim Consolidated Financial Statements

Note 1 General

- A. Matrix IT Ltd. (the “Company”) was incorporated in Israel on September 12, 1989, and started its business operations on that day. The Company provides advanced IT services.
- B. These financial statements have been prepared in condensed format as at June 30, 2025, and for the six and three month periods then ended (the “Consolidated Interim Financial Statements”). The condensed consolidated financial statements of the Group as at June 30, 2025 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 at December 31, 2024, and for the year then ended and their accompanying notes (the “Consolidated Annual Financial Statements”).
- C. The Company is a direct subsidiary of Formula Systems (1985) Ltd. (“Formula Systems”), which is controlled by Asseco Poland SA.
- D. The Company’s shares are listed on the Tel Aviv Stock Exchange.

Note 2 Significant Accounting Policies**A. -Preparation format of the Consolidated Interim Financial Statements**

The Consolidated Interim Financial Statements have been prepared in accordance with IAS 34, Interim Financial Reporting, and in accordance with 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.

B. Below is information about changes in the CPI and relevant exchange rates

	As at 30.06.25	As at 30.06.24	As at 31.12.24
Consumer price index (2020 basis)			
Israel (index basis)	117.3	113.5	114.8
In Israel (known index)	102.8	113.4	115.11
NIS exchange rate			
USD	3.37	3.76	3.65
EUR	3.96	4.02	3.80

Notes to the Interim Consolidated Financial Statements

Note 2 Significant Accounting Policies (cont.)**B. Below is information about changes in the CPI and relevant exchange rates (cont.)**

	For the six months ended 30.06.25	For the six months ended 30.06.24	For the three months ended 30.06.25	For the three months ended 30.06.24	For the year ended 31.12.24
Consumer price index (2020 basis)					
Israel (index basis)	2.14%	2.07%	1.08%	1.13%	3.24%
In Israel (known index)	1.57%	1.89%	1.28%	1.61%	3.43%
NIS exchange rate					
USD	(7.54)%	3.64%	(9.31)%	2.12%	0.55%
EUR	4.18%	0.21%	(1.66)%	1.03%	(5.36)%

Note 3 Segments**A. General**

The operating segments are based on information that is reviewed by the chief operating decision maker (CODM) for the allocation of resources and assessment of performance. Accordingly, for management purposes, the Group is organized into operating segments based on the products and services and on the geographic location of the business units. The Company operates directly and through subsidiaries, and it has the following operating segments:

IT Solutions and Services, Consulting, and Management in Israel;

IT Solutions and Services in the US;

Cloud and Computing Infrastructures;

Marketing and Support of Software Products.

Note 3 Segments (cont.)**A. General (cont.)****IT Solutions and Services, Consulting, and Management in Israel**

This segment includes a wide range of technological and other solutions and services in the sectors: core systems, data and AI, information security and cyber, digital, and more. As part of these solutions, the Company is engaged in the development of large-scale technological systems and the provision of related services; execution of IT and software integration projects; development of operational solutions and C⁴ ISR systems for defense entities in Israel and abroad; outsourcing services and professional services by experts and consultants; offshore/nearshore services; BPO and call center services; software project management; software development; software and QA testing; enhancement and upgrading of existing technological systems; as well as the provision of training and implementation services.

In addition, this activity includes management consulting and multidisciplinary engineering and operational consulting services, including supervision of complex engineering projects, particularly infrastructure projects in the transportation sector.

IT Solutions and Services in the United States

This segment is conducted through two arms – Matrix US Holding and XTIVIA – each of which holds several subsidiaries in the United States.

The activity includes the provision of solutions and expert services in the sector of GRC – Government Risk & Compliance, fraud prevention, cyber risk, and anti-money laundering, as well as specialized advisory services in this sector and specialized IT services for the healthcare sector.

This segment also includes the provision of specialized technological solutions and services in the sectors of portals, BI, CRM, DBA, and EIM; dedicated solutions for the US Government Contracting market; distribution and marketing services for software products; and the provision of professional services and offshore solutions, including through employees at the Company's operational centers in India. The operations also include professional services and projects conducted by experts from across the Matrix Group, serving as a gateway to the business model of exporting the Company's services and products to the US market.

Note 3 Segments (cont.)**A. General (cont.)****Cloud and Computing Infrastructures**

The Company's activity in this segment primarily includes providing a wide range of cloud solutions and services, including sales, service, and support for public cloud (PaaS, SaaS, IaaS) and private cloud at all implementation stages - consulting, architecture, development, deployment, environment management, and support - as well as advanced FinOps services (through the Company's specialized business unit, CloudZone). It also includes computing solutions for IT infrastructure, communication solutions, marketing and sales of hardware, software licenses, and peripheral equipment for business.

customers, alongside with related professional services. Additionally, the Company offers multimedia solutions and command-and-control centers for smart offices, office automation and printing solutions, sales and marketing of test and measurement equipment, communication, cybersecurity, and RF solutions, automation projects and integration, advanced calibration services, and industrial video and image processing solutions (through RDT Equipment and Systems and Asio Vision). Furthermore, the Company is engaged in the import, sales, and service of automated manufacturing machines for component assembly and automated testing machines for assembly processes and components in production lines across various industries, including industrial, medical, military, laser, and sensor applications for civilian and defense purposes, as well as optical communication systems and automotive radar systems.

Marketing and Support of Software Products

This segment primarily includes the sale and distribution of software products (mainly from foreign software manufacturers) across various sectors, such as control and monitoring products, cybersecurity, communication solutions, virtualization, knowledge management products, databases and Big Data, open-source systems, and IT management products. It also includes providing professional support services for these products, as well as implementation projects, training, support, and maintenance for integrated products and systems.

Notes to the Interim Consolidated Financial Statements

Note 3 Segments (cont.)**B. Composition**

For the six months ended June 30, 2025 - unaudited (NIS thousands)

	IT Solutions and Services, Consulting, and Management in Israel	Sales, Marketing and Support of Software Products	Cloud and Computing Infrastructures	IT Solutions and Services in the US	Adjustments	Total
Revenues to non-related parties	1,806,513	168,177	800,316	222,573	-	2,997,579
Inter-segment revenues	43,550	13,031	14,798	423	(71,802)	-
Revenues	<u>1,850,063</u>	<u>181,208</u>	<u>815,114</u>	<u>222,996</u>	<u>(71,802)</u>	<u>2,997,579</u>
Segment results	<u>144,967</u>	<u>18,551</u>	<u>61,164</u>	<u>34,234</u>	<u>(6,206)</u>	<u>252,710</u>
Financial expenses						(55,369)
Financial income						10,609
Taxes on income						(51,084)
Net income						<u>156,866</u>

For the six months ended June 30, 2024 - unaudited (NIS thousands)

	IT Solutions and Services, Consulting, and Management in Israel	Sales, Marketing and Support of Software Products	Cloud and Computing Infrastructures	IT Solutions and Services in the US	Adjustments	Total
Revenues to non-related parties	1,609,866	206,480	735,075	235,024	-	2,786,445
Inter-segment revenues	45,416	12,856	26,985	2,461	(87,718)	-
Revenues	<u>1,655,282</u>	<u>219,336</u>	<u>762,060</u>	<u>237,485</u>	<u>(87,718)</u>	<u>2,786,445</u>
Segment results	<u>128,484</u>	<u>16,285</u>	<u>50,456</u>	<u>33,888</u>	<u>(7,180)</u>	<u>221,933</u>
Financial expenses						(42,388)
Financial income						10,969
Taxes on income						(45,991)
Net income						<u>144,523</u>

Notes to the Interim Consolidated Financial Statements

Note 3 Segments (cont.)**B. Composition (cont.)**

For the three months ended June 30, 2025 - unaudited (NIS thousands)

	IT Solutions and Services, Consulting, and Management in Israel	Sales, Marketing and Support of Software Products	Cloud and Computing Infrastructures	IT Solutions and Services in the US	Adjustments	Total
Revenues to non-related parties	900,557	90,856	346,073	113,893	-	1,451,379
Inter-segment revenues	19,975	1,848	8,493	264	(30,580)	-
Revenues	<u>920,532</u>	<u>92,704</u>	<u>354,566</u>	<u>114,157</u>	<u>(30,580)</u>	<u>1,451,379</u>
Segment results	<u>74,828</u>	<u>10,091</u>	<u>25,352</u>	<u>19,129</u>	<u>(2,681)</u>	<u>126,719</u>
Financial expenses						(30,071)
Financial income						4,689
Taxes on income						(25,054)
Net income						<u>76,283</u>

For the three months ended June 30, 2024 - unaudited (NIS thousands)

	IT Solutions and Services, Consulting, and Management in Israel	Sales, Marketing and Support of Software Products	Cloud and Computing Infrastructures	IT Solutions and Services in the US	Adjustments	Total
Revenues to non-related parties	793,334	114,843	306,782	117,773	-	1,332,732
Inter-segment revenues	22,219	7,142	17,496	1,022	(47,879)	-
Revenues	<u>815,553</u>	<u>121,985</u>	<u>324,278</u>	<u>118,795</u>	<u>(47,879)</u>	<u>1,332,732</u>
Segment results	<u>65,157</u>	<u>8,926</u>	<u>22,826</u>	<u>16,919</u>	<u>(2,573)</u>	<u>111,255</u>
Financial expenses						(20,898)
Financial income						6,065
Taxes on income						(23,321)
Net income						<u>73,101</u>

Notes to the Interim Consolidated Financial Statements

Note 3 Segments (cont.)**B. Composition (cont.)**

For the year ended December 31, 2024 - audited (NIS thousands)

	IT Solutions and Services, Consulting, and Management in Israel	Sales, Marketing and Support of Software Products	Cloud and Computing Infrastructures	IT Solutions and Services in the US	Adjustments	Total
Revenue from external customers	3,227,608	425,971	1,465,935	460,024	-	5,579,538
Inter-segment revenues	109,659	30,794	49,996	915	(191,364)	-
Total revenues	3,337,267	456,765	1,515,931	460,939	(191,364)	5,579,538
Segmental results	250,113	45,364	106,405	66,865	(18,673)	450,074
Financial expenses						(86,956)
Financial income						20,084
Taxes on income						(94,978)
Net income						288,224
Additional information						
Cost of sales	2,893,978	374,515	1,357,891	311,524	(191,364)	4,746,544
Depreciation and amortization	148,210	6,640	26,997	4,964	-	186,811

Note 4 Significant Events During the Reporting Period**A. Dividend distribution**

Following the declaration of the dividend on March 10, 2025, on April 8, 2025, the Company distributed a dividend in the amount of NIS 52.2 million to its shareholders (reflecting NIS 0.82 for each NIS 1 par value ordinary shares).

Following the declaration of the dividend on May 12, 2025, on July 15, 2025, the Company distributed a dividend in the amount of NIS 56.6 million to its shareholders (reflecting NIS 0.89 for each NIS 1 par value ordinary shares).

B. Transactions with holders of non-controlling interests in a subsidiary

In the first quarter, the Company entered into a mutual put/call options renewal agreement with non-controlling interests in a subsidiary for the sale and acquisition of the balance of the subsidiary's shares. The transaction was recorded against equity.

C. Acquisition of Gav

On February 4, 2025, the Company, through its subsidiary Matrix IT Systems Ltd., completed the acquisition of 70% of the share capital of Gav Systems Ltd. and Gav Experts Ltd. for a total of approximately NIS 45.5 million. In addition, the sellers were paid a dividend for accrued earnings up until 31.12.23 in the amount of NIS 29 million. Pursuant to the agreement, the Company and the seller have a mutual option to sell and purchase the seller's remaining shares to the Company. The acquired company provides outsourcing services, primarily in the form of computing and software personnel.

As at the report date, the valuation underlying the allocation of the consideration to assets and liabilities (the PPA) has not yet been completed and accordingly, this allocation is temporary, according to management's assessment, and may be updated in the coming periods after the valuation is completed.

According to the provisional allocation, the excess purchase cost of approximately NIS 72.2 million was attributed to net intangible assets in the amount of approximately NIS 16.8 million, and the remainder was allocated to goodwill.

As indicated above, the Group recognized the fair value of the assets acquired and liabilities that were undertaken in the business combination according to a temporary measurement. Thus, the consideration for the acquisition as well as the fair value of the assets and liabilities acquired are subject to final adjustment up to 12 months from the acquisition date.

Note 4 Significant Events During the Reporting Period (cont.)**D. Entering into a memorandum of understanding for a merger with Magic**

On March 10, 2025, a memorandum of understanding (MOU) was signed between Matrix IT Ltd. ("Matrix") and Magic Software Enterprises Ltd. ("Magic") for the purpose of negotiating a binding merger agreement, under which Matrix will acquire the entire issued and paid-up share capital of Magic by way of a reverse triangular merger. The considerations to Magic shareholders under the transaction will be in shares of Matrix (hereinafter: the "Magic transaction"). Upon completion of the transaction, Magic will become a private company wholly owned by Matrix.

As Formula is the controlling shareholder in both the Company and Magic, and in light of the materiality of the transaction, the Company's Board of Directors appointed an independent committee that was empowered to examine the engagement in the transaction, to negotiate with Magic regarding the terms of the transaction, to approve the transaction, and to formulate recommendations to the Board with regard thereto. For additional details, see the immediate report dated 11.3.2025 (reference: 2025-01-015939).

Pursuant to generally accepted accounting principles, the transaction will be accounted for using the pooling method rather than the purchase method. Meaning, the Company will include Magic's assets and liabilities in its financial statements at the values recorded in the controlling shareholder's books. In addition, as at the report date, the Company had already recognized transaction costs related to the Magic transaction totaling about NIS 7 million (NIS 5 million in 2024 and the remainder in the second half of 2025).