

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2025

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report _____

Commission file number 000-31215

MIND C.T.I. LTD.

(Exact name of Registrant as specified in its charter
and translation of Registrant's name into English)

ISRAEL

(Jurisdiction of incorporation or organization)

2 HaCarmel Street, Yoqneam, 2066724, Israel

(Address of principal executive offices)

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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Ordinary Shares, nominal value NIS 0.01 per share	MNDO	Nasdaq Global Market

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As of December 31, 2025, the Registrant had outstanding 20,372,828 Ordinary Shares, nominal value NIS 0.01 per share.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an emerging growth company. See definition of “large accelerated filer,” “accelerated filer,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No

Unless the context requires otherwise, “MIND”, “us”, “we”, “our company”, “the company”, “the Company” and “our” refer to MIND C.T.I. Ltd. and its subsidiaries.

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FORWARD LOOKING STATEMENTS AND SUMMARY RISK FACTORS

Statements in this annual report concerning our business outlook or future economic performance; anticipated revenues, expenses or other financial items; introductions and advancements in development of products, and plans and objectives related thereto; and statements concerning assumptions made or expectations as to any future events, conditions, performance or other matters, are “forward-looking statements” as that term is defined under the United States Federal Securities Laws. Forward-looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from those stated in such statements. Factors that could cause or contribute to such differences include, but are not limited to, those set forth under “Risk Factors” in this annual report as well as those discussed elsewhere in this annual report and in our other filings with the Securities and Exchange Commission. The following is a summary of some of the principal risks we face:

- **We may be unable to compete effectively in the marketplace, especially with competitors using AI technology to rapidly develop intellectual property;**
- **We are exposed to general global economic and market conditions, particularly those impacting the communications industry;**
- **We may fail to attract and retain qualified personnel;**
- **Our backlog, revenues and operating results may vary significantly from quarter to quarter;**
- **Our acquisition strategy could divert resources and disrupt our business;**
- **We may not be successful in integrating acquisitions;**
- **We may not adequately enhance our products and services and introduce new products and features to retain our customers and attract new ones;**
- **Our products could be affected by cyber security breaches;**
- **Our products may fail to comply with or to enable our customers and channel partners to comply with applicable privacy and other laws and regulations;**
- **We may be unable to manage our international operations effectively;**
- **Our Israeli tax benefits may be discontinued or reduced;**
- **Our business may be negatively affected by exchange rate fluctuations;**
- **We may lose the services of key personnel;**
- **We may become subject to claims of intellectual property infringement;**

- Our use of “open-source” software tools may be subject to IP infringement claims or subject our derivative works or products to unintended consequences;
- We are subject to ongoing costs and risks associated with being a public company, including potential lawsuits;
- System disruptions and failures may result in customer dissatisfaction and customer loss;
- The market segment of small to medium-sized communication service providers may decline;
- We may lose existing customers or the use of our products may decline;
- Our billing software and the systems into which it is integrated may contain undetected errors;
- We may be unable to attract new messaging customers in a cost-effective manner;
- We may be unable to increase adoption of our messaging products by enterprises;
- We rely on network service providers for our messaging services;
- We may have to lower our prices for messaging products;
- We may have defects or errors in our messaging products;
- We face a risk of litigation resulting from customer misuse of our messaging software to send unauthorized messages;
- System disruptions and failures may result in customer dissatisfaction and customer loss;
- Changes to regulations or technology vendor rules may prevent us from using some services; and
- Our articles of association include forum selection clauses for certain claims brought under the U.S. securities laws or under Israeli law.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. [Reserved]

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

We believe that the occurrence of any one or some combination of the following factors would have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to our Business and Industry

If we are unable to compete effectively in the marketplace, it will be difficult to retain existing customers and obtain new customers and we may suffer a decrease in market share, revenues and profitability.

All the markets we operate in are significantly fragmented and highly competitive. The principal competitive factors in our market include completeness of offering, global reach, ease of integration, product features, platform scalability, reliability, security and performance, brand awareness and reputation, the strength of sales and marketing efforts, customer support, as well as the cost of deploying and using our products. Artificial intelligence (AI) technology has introduced new challenges to the market, as it can enable intellectual property and product capabilities developed over many years to be replicated, reverse engineered or commoditized much more quickly, including by new market entrants, creating new competitive risks. All the markets we operate in are significantly fragmented and highly competitive. For example, AI-enabled tools may allow competitors, customers or other third parties to develop competing products or substitute solutions with greater speed and lower cost, which could reduce the differentiation of our products, place downward pressure on pricing and margins, and require us to increase investment in research and development to remain competitive.

Some of our competitors are larger and have greater name recognition, longer operating histories, more established customer relationships, larger budgets and significantly greater resources than we do. In addition, they have the operating flexibility to bundle competing products and services at little or no perceived incremental cost, including offering them at a lower price as part of a larger sales transaction. As a result, our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or customer requirements. In addition, some competitors may offer products or services that address one or a limited number of functions at lower prices, with greater depth than our products or in different geographies. Our current and potential competitors may develop and market new products and services with comparable functionality to our products, and this could lead to us having to decrease prices in order to remain competitive.

With the introduction of new products and technologies and new market entrants, we expect competition to intensify in the future. Some of our competitors have lower list prices than ours, which may be attractive to certain customers even if those products have different or lesser functionality. Pricing pressures and increased competition could result in reduced revenue, reduced margins, increased losses, any of which could harm our business, results of operations and financial condition. Such pricing pressure has been particularly acute in recent years. In particular, we were unable to recruit any new customers in 2024 or 2025, and we may be unable to attract new customers in future periods, which could further adversely affect our financial performance.

We are exposed to general global economic and market conditions, particularly those impacting the communications industry.

We provide software and services primarily to service providers in the communications industry, and our business is therefore highly dependent upon conditions in that industry. Developments in the communications industry, such as the impact of global economic conditions, industry consolidation, emergence of new competitors and new technologies, commoditization of voice, video and data services and changes in the regulatory environment, at times have had, and could continue to have, a material adverse effect on our existing or potential customers. These conditions have reduced, and may continue to reduce, the growth rates that the communications industry had previously experienced and caused the capital spending levels of many communications companies to decline or degrade. For example, in recent years, telcos have reduced investment in billing platforms to prioritize the significant infrastructure costs required for 5G deployment. Industry consolidation involving our customers, which has been significant in recent years, may place us at risk of losing business to the incumbent provider, to one of the parties, to the consolidation or to new competitors. In particular, over the past few years, consolidation and intense competition in the communications industry have had a negative effect on our business, resulting in several long-term customers closing or selling their business.

Downturns in the business climate for communications companies have in the past resulted, and may in the future result, in slower customer buying decisions and price pressures that adversely affected, and may continue to adversely affect, our ability to generate revenue. The current macro-economic conditions, including as a result of geopolitical events or other global or regional events, and the effects of these conditions on our customers' businesses and the resulting spending decisions of our customers, have had in recent years and may continue to have a negative impact on our business by decreasing our new customer engagements and the size of initial or ongoing spending commitments under those engagements, as well as decreasing the level of demand and expenditures by existing customers. In addition, a slowdown in buying decisions may extend our sales cycle period and may limit our ability to forecast our flow of new contracts. If such adverse business conditions continue, our business may be harmed.

If we fail to attract and retain qualified personnel, we will not be able to implement our business strategy or operate our business effectively.

Our products require sophisticated software development, sales, professional services and technical customer support. Our success depends on our ability to attract, train, motivate and especially retain highly skilled personnel within each of these areas of expertise. Qualified personnel in these areas are in great demand worldwide and are likely to remain a limited resource. We cannot assure you that we will be able to retain the skilled employees we require. In addition, the resources required to retain such personnel may adversely affect our operating margins. The failure to retain qualified personnel may harm our business. In particular, we maintain large engineering and support centers in Iasi and Suceava, Romania and have encountered many successful attempts from other technology companies to recruit our employees after we have trained them. If this phenomenon continues and increases, we may not be able to retain the highly skilled personnel we require to implement our business strategy and operate our business effectively. If we significantly raise the salaries of our Romanian employees or such salaries will be effectively increased as a result of their linkage to the Euro, our results of operations will be harmed.

Our backlog, revenues and operating results may vary significantly from quarter to quarter.

Our results of operations, including the levels of our revenues, cost of revenues, gross margins and operating expenses, have fluctuated from quarter to quarter in the past and may continue to vary significantly in the future. These fluctuations are a result of a variety of factors, many of which are outside of our control, may be difficult to predict and may or may not fully reflect the underlying performance of our business. Our operating results may vary significantly from quarter to quarter due to a number of factors, including the following:

- our ability to retain and increase revenue from existing customers and attract new customers;
- our ability to introduce new products and enhance existing products;
- competition and the actions of our competitors, including pricing changes and the introduction of new products, services and geographies;
- changes in network service provider fees that we pay in connection with the delivery of communication services on our messaging platforms;
- changes in foreign currency exchange rates;
- expenses in connection with mergers, acquisitions or other strategic transactions;
- potential termination of contracts by our customers; and
- changes in our pricing policies.

Due to all of the foregoing, we cannot predict revenues for any future quarter with any significant degree of accuracy. Accordingly, we believe that period-to-period comparisons of our operating results are not necessarily meaningful, and you should not rely upon them as indications of future performance. Accordingly, in the event of a revenue shortfall, we may not be able to mitigate the negative impact on our operating results and margins in the short term. If we fail to meet or exceed the expectations of investors, we could face costly lawsuits, including securities class action suits.

In future quarters, our operating results may be below the expectations of public market analysts and investors, and as a result, the price of our ordinary shares may fall.

We seek to expand our business through acquisitions, which could result in diversion of resources and extra expenses and which may involve other risks that could disrupt our business and harm our financial condition.

It is part of our strategy to pursue acquisitions of business, products and technologies, or the establishment of joint venture arrangements in order to offer new products or services or otherwise enhance our market position or strategic strengths. In January 2025, we acquired Aurenz GmbH, or aurenz, a provider of unified communications (UC) analytics and call accounting solutions in Germany, and we are actively evaluating other potential acquisition opportunities. The negotiation of potential acquisitions or joint ventures, as well as the integration of an acquired or jointly developed business, technology or product, could cause diversion of management's attention from the day-to-day operation of our business. This could impair our relationships with our employees, customers, distributors, resellers and marketing allies. Future acquisitions could result in:

- potentially dilutive issuances of equity securities;
- the incurrence of debt and contingent liabilities;
- amortization of intangible assets;
- changes in our business model and margins;
- research and development write-offs and goodwill impairments; and
- other acquisition-related expenses.

In addition, we have limited experience with respect to negotiating an acquisition and operating an acquired business. Due to the multiple risks and difficulties associated with any acquisition, there can be no assurance that we will be successful in achieving our expected strategic, operating and financial goals for any such acquisition. If future acquisitions disrupt our operations, our business may suffer.

We may not be successful in the integration of our acquisitions.

We cannot assure you that we have identified, or will be able to identify, all material adverse issues related to the integration of our acquisitions, such as significant defects in the internal control policies of companies that we have acquired. In addition, our acquisitions could lead to difficulties in integrating acquired personnel and operations and in retaining and motivating key personnel from these businesses, while maintaining our corporate culture. In some instances, we may need to depend on the seller of an acquired business to provide us with certain transition services in order to meet the needs of our customers. Any failure to properly integrate and retain personnel, to recognize significant defects in the internal control policies of acquired companies or to scale and adapt our internal control policies and our reporting systems and procedures, and any interruptions of transition services, may require a significant amount of time and resources to address and may harm our company. If we do not continually enhance our products and service offerings, introduce new products and features and adopt and monetize new technologies (including AI and machine learning) and methodologies in the marketplace, we may have difficulty retaining existing customers and attracting new customers.

We believe that our future success will depend, to a significant extent, upon our ability to enhance our existing products and services, to introduce new products, services and features to meet the requirements of our customers, and to adopt and leverage new technologies and methodologies such as cloud, microservices-based architecture and AI in a rapidly developing and evolving market. The development and deployment of AI technologies present significant challenges, including: the need for high-quality data; evolving regulatory requirements and industry standards; increased computing costs; reliance on third-party AI models, tools and infrastructure; risks of errors, bias, security vulnerabilities, privacy or intellectual property infringement; and reputational harm arising from actual or perceived misuse of AI. If we are unable to develop, integrate, adopt and monetize AI capabilities effectively, or if our competitors do so more successfully, we may fail to meet customer expectations, and our business, financial condition and results of operations could be harmed. We devote significant resources to refining and expanding our base software modules and to developing our products, services and development methodologies and tools. In some instances, we rely on cooperative relationships with third parties to assist us in delivering certain products and services to our customers. Our present or future products, services and technology may not satisfy the evolving needs of the communications industry or of other industries that we serve. If we are unable to anticipate or respond adequately to such needs, due to resource, technological or other constraints, our business and results of operations could be harmed.

If our security measures for our software, hardware, services or cloud offerings are compromised and as a result, our data, our customers' data or our information technology, or IT, systems are accessed improperly, made unavailable, or improperly modified, our products and services may be perceived as vulnerable, which may materially affect our business and result in potential legal liability.

Our products and services, including our cloud offerings, store, retrieve, and manage our customers' information and data, as well as our own data. We have a reputation for secure and reliable product offerings and related services, and we have invested a great deal of time and resources in protecting the integrity and security of our products, services and the internal and external data that we manage. See Item 16K below. Despite our efforts to implement network security measures, we cannot guarantee that our systems are fully protected from vulnerabilities related to IT-related viruses, worms and other malicious software programs, attacks, break-ins and similar disruptions from unauthorized tampering by computer hackers and others. Such cybersecurity incidents could include an attempt to gain unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Security measures in our products and services may be penetrated or bypassed by computer hackers and others who may gain unauthorized access to our or our customers' or partners' software, hardware, cloud offerings, networks, data or systems. They may use a wide variety of methods, including by use of artificial intelligence, or AI, which may include developing and deploying malicious software to attack our products third-party data, products or services incorporated into our own. Data may also be accessed or modified improperly as a result of customer, partner or employee error or malfeasance and third parties may attempt to fraudulently induce customers, partners, employees or suppliers into disclosing sensitive information such as usernames, passwords or other information in order to gain access to our data or IT systems or our customers' or partners' data or IT systems. Any of the foregoing occurrences could create system disruptions and cause shutdowns or denials of service or compromise data, including personal or confidential information, of us, our partners or our customers.

If a cyber-attack or other security incident (for example phishing, advanced persistent threats, or social engineering) were to result in unauthorized access to, or deletion of, and/or modification and/or exfiltration of our customers' data, other external data or our own data or our IT systems or if the services we provide to our customers were disrupted, customers could lose confidence in the security and reliability of our products and services, including our cloud offerings, and perceive them not to be secure. This in turn could lead to fewer customers using our products and services and result in reduced revenue and earnings. The costs we would incur to address and fix these security incidents would increase our expenses. These risks will increase as we continue to grow our cloud and network offerings and store and process increasingly large amounts of data, including personal information and our customers' confidential information and data and other external data, and host or manage parts of our customers' businesses in cloud-based IT environments.

Any of the events described above could cause our customers to make claims against us for damages allegedly resulting from a security breach or service disruption, which could adversely affect our business, results of operation and financial condition.

Our products and platform and our business are subject to a variety of European and international laws and regulations, including those regarding privacy, data protection and information security, and our customers may be subject to regulations related to the handling and transfer of certain types of sensitive and confidential information. Any failure of our products to comply with or enable our customers and channel partners to comply with applicable laws and regulations would harm our business, results of operations and financial condition.

We and our customers that use our products may be subject to privacy and data protection-related laws and regulations that impose obligations in connection with the collection, processing and use of personal data, financial data, health or other similar data. The U.S. federal and various state and foreign governments have adopted or proposed limitations on, or requirements regarding, the collection, distribution, use, security and storage of personally identifiable information of individuals. The U.S. Federal Trade Commission and numerous state attorneys general are applying federal and state consumer protection laws to impose standards on the online collection, use and dissemination of data, and to the security measures applied to such data.

Similarly, many foreign countries and governmental bodies, including the European Union, or the EU, member states, have laws and regulations concerning the collection and use of personally identifiable information obtained from individuals located in the EU or by businesses operating within their jurisdiction, which are often more restrictive than those in the United States. Laws and regulations in these jurisdictions apply broadly to the collection, use, storage, disclosure and security of personally identifiable information that identifies or may be used to identify an individual, such as names, telephone numbers, email addresses and, in some jurisdictions, IP addresses and other online identifiers.

For example, the General Data Protection Regulation, or GDPR, took effect in the EU on May 25, 2018. The GDPR enhances data protection obligations for businesses and requires service providers (data processors) processing personal data on behalf of customers to cooperate with European data protection authorities, implement security measures and keep records of personal data processing activities. Noncompliance with the GDPR can trigger fines equal to or greater of €20 million or 4% of global annual revenues. There are also additional EU laws and regulations (and member states implementations thereof) which govern the protection of consumers and of electronic communications. If our efforts to comply with GDPR or other applicable EU laws and regulations are not successful, we may be subject to penalties and fines that would adversely impact our business and results of operations, and our ability to conduct business in the EU could be significantly impaired.

As well, we continue to see jurisdictions imposing data localization laws, which require personal information, or certain subcategories of personal information to be stored in the jurisdiction of origin. These regulations may inhibit our ability to expand into those markets or prohibit us from continuing to offer services in those markets without significant additional costs.

The uncertainty and changes in the requirements of multiple jurisdictions may increase the cost of compliance, delay or reduce demand for our services, restrict our ability to offer services in certain locations, impact our customers' ability to deploy our solutions in certain jurisdictions, or subject us to sanctions, by national data protection regulators, all of which could harm our business, financial condition and results of operations.

Additionally, although we endeavor to have our products and platform comply with applicable laws and regulations, these and other obligations may be modified, they may be interpreted and applied in an inconsistent manner from one jurisdiction to another, and they may conflict with one another, other regulatory requirements, contractual commitments or our internal practices.

We also may be bound by contractual obligations relating to our collection, use and disclosure of personal, financial and other data or may find it necessary or desirable to join industry or other self-regulatory bodies or other privacy or data protection-related organizations that require compliance with their rules pertaining to privacy and data protection.

We expect that there will continue to be new proposed laws, rules of self-regulatory bodies, regulations and industry standards concerning privacy, data protection and information security in the U.S., the EU and other jurisdictions, and we cannot yet determine the impact such future laws, rules, regulations and standards may have on our business. Moreover, existing U.S. federal and various state and foreign privacy and data protection-related laws and regulations are evolving and subject to potentially differing interpretations, and various legislative and regulatory bodies may expand current or enact new laws and regulations regarding privacy and data protection-related matters. Because global laws, regulations and industry standards concerning privacy and data security have continued to develop and evolve rapidly, it is possible that we or our products or platform may not be, or may not have been, compliant with each such applicable law, regulation and industry standard and compliance with such new laws or to changes to existing laws may impact our business and practices, require us to expend significant resources to adapt to these changes, or to stop offering our products in certain countries. These developments could adversely affect our business, results of operations and financial condition.

Any failure or perceived failure by us, our products or our platform to comply with new or existing U.S., EU or other foreign privacy or data security laws, regulations, policies, industry standards or legal obligations, or any security incident that results in the unauthorized access to, or acquisition, release or transfer of, personally identifiable information or other customer data may result in governmental investigations, inquiries, enforcement actions and prosecutions, private litigation, fines and penalties, adverse publicity or potential loss of business.

Because our revenues are generated in numerous countries, our results of operations could suffer if we are unable to manage international operations effectively.

Our sales are made in many countries, with different legislation and complex taxation rules and in many states in the United States. Managing our existing international operations and additional international markets requires significant management attention and financial resources. Our ability to penetrate some international markets may be limited due to different technical standards, protocols and requirements for our products in different markets. In addition, conducting our business internationally subjects us to a number of risks, including:

- the burden of compliance with a wide variety of foreign laws and regulations;
- staffing and managing foreign operations; and
- adverse effects of political and economic instability.

We currently benefit from Israeli tax benefits that may be discontinued or reduced.

We have derived benefits from various programs, including Israeli tax benefits relating to our “Preferred Technological Enterprise” program under the Israel Law for the Encouragement of Capital Investment, 1959. Our current “Preferred Technological Enterprise” status is valid until the end of 2026.

To be eligible for tax benefits as a “Preferred Technological Enterprise,” we must continue to meet certain conditions. Should it be determined that our Preferred Technological Enterprise programs have not met, or do not meet, the statutory conditions, our income taxes will increase.

Additional tax liabilities could materially adversely affect our results of operations and financial condition.

As a global corporation, we are subject to income and other taxes both in Israel and in various foreign jurisdictions. Our domestic and international tax liabilities are subject to the allocation of revenues and expenses in different jurisdictions and the timing of recognizing revenues and expenses. Additionally, the amount of income taxes paid or accrued is subject to our interpretation of applicable laws in the jurisdictions in which we do business. From time to time, we are subject to income and other tax audits in various jurisdictions, the timings of which are unpredictable. While we believe we comply with applicable tax laws, there can be no assurance that a governing tax authority will not have a different interpretation of the law and assess us with additional taxes. Should we be assessed additional taxes, there could be a material adverse effect on our results of operations and financial condition.

Our business may be negatively affected by exchange rate fluctuations.

Approximately 58% of our revenues are denominated in Euros, and approximately 37% in U.S. dollars, or dollars. Approximately 11% of our expenses are incurred in New Israeli Shekels, or NIS, and approximately 74% in Euros or linked to the Euro. At the same time, the majority of our cash reserves and investments are denominated in dollars, and our financial statements are denominated in dollars. As a result, we may be negatively affected by fluctuations in the exchange rates between the Euro or the NIS and the dollar. For example, based on the Bank of Israel representative exchange rates, the dollar declined by approximately 12.5% against the NIS from December 31, 2024 (NIS 3.647 per \$1.00) to December 31, 2025 (NIS 3.19 per \$1.00), which increased the dollar cost of our NIS-denominated expenses. We cannot predict any future trends in the rate of devaluation or appreciation of the NIS or of the Euro against the dollar. If the dollar cost of our operations in Israel and in Romania increases, our dollar-measured results of operations will be adversely affected. We may choose to limit these exposures by entering into hedging transactions. However, hedging transactions may not enable us to avoid exchange-related losses, and our business may be harmed by exchange rate fluctuations.

We depend on a limited number of key personnel who would be difficult to replace. If we lose the services of these individuals, our business may be harmed.

The success of our business depends in large part upon the continuing contributions of our senior management, specifically on the managerial and technical skills of our Chief Executive Officer, Mr. Ariel Glassner, and other members of our senior management. If either Mr. Glassner or other members of the senior management team are unable or unwilling to continue their employment with us, our business may be harmed.

If we become subject to a claim of intellectual property infringement, our business may be materially adversely affected.

If anyone asserts a claim against us relating to proprietary technology or information, we might seek to license the claimant's intellectual property or to develop non-infringing technology. We might not be able to obtain a license on commercially reasonable terms or on any terms. Alternatively, our efforts to develop non-infringing technology could be unsuccessful. Our failure to obtain the necessary licenses or other right or to develop non-infringing technology could prevent us from selling our software and could therefore seriously harm our business.

We use certain "open-source" software tools that may be subject to intellectual property infringement claims or that may subject our derivative works or products to unintended consequences, possibly impairing our product development plans, interfering with our ability to support our clients or requiring us to allow access to the source code of our products or necessitating that we pay licensing fees.

Certain of our products contain open-source code and we may use more open-source code in the future. In addition, certain third-party software that we embed in our products contains open-source code. Open-source code is code that is covered by a license agreement that permits the user to liberally use, copy, modify and distribute the software without cost, provided that users and modifiers abide by certain licensing requirements. The original developers of the open-source code provide no warranties on such code.

As a result of the use of open-source software, we could be subject to suits by parties claiming ownership of what they believe to be their proprietary code or we may incur expenses in defending claims alleging non-compliance with certain open-source code license terms. In addition, third-party licensors do not provide intellectual property protection with respect to the open-source components of their products, and we may be unable to be indemnified by such third-party licensors in the event that we or our customers are held liable in respect of the open-source software contained in such third-party software. If we are not successful in defending against any such claims that may arise, we may be subject to injunctions and/or monetary damages or be required to remove the open-source code from our products. Such events could disrupt our operations and the sales of our products, which would negatively impact our revenues and cash flow.

Moreover, under certain conditions, the use of open-source code to create derivative code may obligate us to make the resulting derivative code available to others at no cost. The circumstances under which our use of open-source code would compel us to offer derivative code at no cost are subject to varying interpretations. If we are required to publicly disclose the source code for such derivative products or to license our derivative products that use an open-source license, our previously proprietary software products may be available to others without charge. If this happens, our customers and our competitors may have access to our products without cost to them, which could harm our business. Certain open-source licenses require as a condition to use, modification or distribution of such open-source that proprietary software incorporated into, derived from or distributed with such open-source be disclosed or distributed in source code form, be licensed for the purpose of making derivative works or be redistributable at no charge. The foregoing may under certain conditions be interpreted to apply to our software, depending upon the use of the open-source and the interpretation of the applicable open-source licenses.

We monitor our use of open-source code to avoid subjecting our products to conditions we do not intend. The use of open-source code, however, may ultimately subject some of our products to unintended conditions so that we are required to take remedial action that may divert resources away from our development efforts.

We are subject to ongoing costs and risks associated with being a public company, including potential lawsuits.

As an Israeli company subject to U.S. federal securities laws, we spend a significant amount of management time and resources to comply with laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, Securities and Exchange Commission, or SEC, regulations, Nasdaq listing rules and the Israeli Companies Law, 1999, or the Companies Law, or the Israeli Companies Law. In connection with our compliance with Section 404 and the other applicable provisions of the Sarbanes-Oxley Act, our management and other personnel devote a substantial amount of time to assure that we continue to comply with these requirements. There is no guarantee that these efforts will result in management assurance that our internal control over financial reporting is adequate in future periods. If our internal controls are found to be ineffective in future periods, it could harm our operations, financial reporting or financial results.

Since we are a public company in the United States, the cost of our directors' and officers' liability insurance has significantly increased over recent years, as a result of which we have decided to purchase minimal coverage insurance. Our directors and officers rely on indemnification agreements provided by us. Accordingly, any lawsuits against our directors and officers could result in expensive legal expenses, settlements and judgments that we would be required to bear, which would harm our financial condition.

Risks Relating to our Billing and Related Services Business

System disruptions and failures may result in customer dissatisfaction, customer loss or both, which could materially and adversely affect our reputation and business.

Our billing systems are an integral part of our customers' business operations. The continued and uninterrupted performance of these systems for our customers is critical to our success. Customers may become dissatisfied by any system failure that interrupts our ability to provide services to them.

Our ability to serve our customers depends on our ability to protect our systems and infrastructure against damages and unexpected adverse events. We also depend on various cloud providers and co-location datacenter providers which provide us with environments, tools and applications on which we provide our products. Although we maintain insurance that we believe is appropriate for our business and industry, such coverage may not be sufficient to compensate for any significant losses that may occur as a result of any of these events. In addition, we have experienced systems outages and service interruptions in the past, none of which has had a material adverse effect on us. However, a prolonged system-wide outage or frequent outages could cause harm to our customers and to our reputation and reduce the attractiveness of our services significantly, which could result in decreased demand for our products and services and could cause our customers to make claims against us for damages allegedly resulting from an outage or interruption. Any damage or failure that interrupts or delays our operations could result in material harm to our business and expose us to material liabilities.

The customer base for our billing and customer care products is characterized by small to medium-sized communication service providers, or CSPs. If this market segment fails to grow as we experienced during 2024 and 2025, the demand for our billing and customer care software would diminish substantially.

Our billing and customer care products target small to medium-sized carriers. Our growth in this field depends on continued growth of carriers of this size. We cannot be certain that carriers of this size will be able to successfully compete with large CSPs. This market segment has contracted in recent years. If this market segment fails to grow, the demand for our billing and customer care software would diminish substantially and our business would suffer. In addition, there may never be significant demand for new billing and customer care software by providers of telecom services.

If we experience loss of one or more existing billing customers, we may suffer a decrease in revenues, reputation and profitability.

A significant part of our revenues is derived from our existing customer base, maintenance agreements, customizations and additional professional services. Small service providers may be acquired by larger carriers and replace our solutions with the buyer's existing billing platform, cease operations due to lack of funding, or terminate their relationship with us due to their financial condition, loss of market share and competitive pricing, as occurred with customers of ours over the years. If one or more additional customers cease using our solutions or services due to replacements or any other reason, our business and results of operations would suffer.

From time to time, our billing software and the systems into which it is integrated contain undetected errors. This may cause us to experience a significant decrease in market acceptance and use of our software products and we may be subject to warranty and other liability claims.

From time to time, our billing software, as well as the systems into which it is integrated, contains undetected errors. Because of this integration, it can be difficult to determine the source of the errors. Also, from time to time, hardware systems we resell contain certain defects or errors. As a result, and regardless of the source of the errors, we could experience one or more of the following adverse results:

- diversion of our resources and the attention of our personnel from our research and development efforts to address these errors;
- negative publicity and injury to our reputation that may result in loss of existing or future customers; and
- loss of or delay in revenue and loss of market share.

In addition, we may be subject to claims based on errors in our software or mistakes in performing our services. Our licenses and agreements generally contain provisions such as disclaimers of warranties and limitations on liability for special, consequential and incidental damages, designed to limit our exposure to potential claims. However, not all of our contracts contain these provisions and we cannot assure you that the provisions that exist will be enforceable. In addition, while we maintain product liability and professional indemnity insurance, we cannot assure you that this insurance will provide sufficient, or any, coverage for these claims. A product liability or professional indemnity claim, whether or not successful, could adversely affect our business by damaging our reputation, increasing our costs, and diverting the attention of our management team.

Risks Relating to our Messaging Business

Our messaging business depends on customers increasing their use of our messaging products, and any loss of customers or decline in their use of our products could materially and adversely affect our business, results of operations and financial condition.

Our ability to grow our mobile messaging business and generate incremental revenue depends, in part, on our ability to maintain and grow our relationships with existing messaging customers and to have them increase their usage of our messaging platform. If our customers do not increase their use of our messaging products, then our revenue may decline and our results of operations may be harmed. Messaging customers are charged based on the usage of our products. Most of these customers do not have long-term contractual financial commitments to us and, therefore, they may reduce or cease their use of our products at any time without penalty or termination charges. Messaging customers may terminate or reduce their use of our products for any number of reasons, including if they are not satisfied with our products, the value proposition of our products or our ability to meet their needs and expectations. We cannot accurately predict customers' usage levels, and the loss of customers or reductions in their usage levels of our products may each have a negative impact on our business, results of operations and financial condition. If a significant number of messaging customers cease using, or reduce their usage of our products, it could harm our operations, financial reporting or financial results.

If we are unable to attract new messaging customers in a cost-effective manner, then our business, results of operations and financial condition would be adversely affected.

In order to grow our messaging business, we must continue to attract new customers in a cost-effective manner. We use a variety of marketing channels to promote our messaging products and platform, such as regional customer events and telemarketing campaigns. We will incur marketing expenses before we are able to recognize any revenue that the marketing initiatives may generate, and these expenses may not result in increased revenue or brand awareness. We may make significant expenditures and investments in new marketing campaigns, and we cannot guarantee that any such investments will lead to the cost-effective acquisition of additional customers. If we are unable to maintain effective marketing programs, then our ability to attract new customers could be materially and adversely affected, our marketing expenses could increase substantially and our results of operations may suffer.

If we are unable to increase adoption of our messaging products by enterprises, our business, results of operations and financial condition may be adversely affected.

Our ability to increase the customer base of our messaging business, especially among enterprises, and achieve broader market acceptance of our messaging products will depend, in part, on our ability to effectively organize, focus and train our sales and marketing personnel.

As we seek to increase the adoption of our messaging products by enterprises, we expect to incur higher costs and longer sales cycles. In the enterprise market segment, the decision to adopt our products may require the approval of multiple technical and business decision makers, including security, compliance, procurement, operations and IT. In addition, while enterprise customers may quickly deploy our products on a limited basis before they will commit to deploying our products at scale, they often require extensive education about our products and significant customer support time, engage in protracted pricing negotiations and seek to secure readily available development resources. In addition, sales cycles for enterprises are inherently more complex and less predictable, and some enterprise customers may not use our products enough to generate revenue amounts that justify our cost to acquire such customers. In addition, these complex and resource intensive sales efforts could place additional strain on our product and engineering resources. Further, enterprises, including some of our customers, may choose to develop their own messaging solutions that do not include our products. They also may demand reductions in pricing as their usage of our products increases, which could have an adverse impact on our gross margin. As a result of our limited experience selling and marketing messaging products to enterprises, our efforts to sell to these potential customers may not be successful. If we are unable to increase the messaging revenue that we derive from enterprises, then our business, results of operations and financial condition may be adversely affected.

To deliver our messaging products, we rely on network service providers for our messaging services.

We currently interconnect with network service providers around the world to enable the use by our customers of our messaging products over their networks. We expect that we will continue to rely heavily on network service providers for these services going forward. Our reliance on network service providers has reduced our operating flexibility, ability to make timely service changes and control quality of service. In addition, the fees that we are charged by network service providers may change daily or weekly, while we do not typically change our customers' pricing as rapidly.

Furthermore, many of these network service providers do not have long-term committed contracts with us and may terminate their agreements with us without notice or restriction. If a significant portion of our network service providers stop providing us with access to their infrastructure, fail to provide these services to us on a cost-effective basis, cease operations or otherwise terminate these services, the delay caused by qualifying and switching to other network service providers could be time consuming and costly and could adversely affect our business, results of operations and financial condition. Further, if problems occur with our network service providers, it may cause errors or poor-quality communications with our products, and we could encounter difficulty identifying the source of the problem. The occurrence of errors or poor quality communications on our messaging products, whether caused by our platform or a network service provider, may result in the loss of our existing customers or the delay of adoption of our products by potential customers and may adversely affect our business, results of operations and financial condition.

We may have to lower our prices for messaging products or change our pricing model from time to time.

We charge our customers based on their use of our messaging products. We expect that we may need to change our pricing from time to time. In the past we have sometimes reduced our prices either for individual customers in connection with long-term agreements or for a particular product. One of the challenges to our pricing is that the fees that we pay to network service providers over whose networks we transmit communications can vary daily or weekly and are affected by volume and other factors that may be outside of our control and difficult to predict. This can result in us incurring increased costs that we may be unable or unwilling to pass through to our customers, which could adversely impact our business, results of operations and financial condition.

Further, as competitors introduce new messaging products or services that compete with ours or reduce their prices, we may be unable to attract new customers or retain existing customers based on our historical pricing. If we enter new markets, we also must determine the appropriate price to enable us to compete effectively in those markets. Moreover, enterprises, which are a primary focus for our direct sales efforts for our messaging products, may demand substantial price concessions. In addition, if the mix of products sold changes, including for a shift to IP-based products, then we may need to, or choose to, revise our pricing. As a result, in the future we may be required or choose to reduce our prices or change our pricing model, which could adversely affect our business, results of operations and financial condition.

Defects or errors in our messaging products could diminish demand for these products, harm our business and results of operations and subject us to liability.

Our customers use our messaging products for important aspects of their businesses, and any errors, defects or disruptions to our products and any other performance problems with our products could damage our customers' businesses and, in turn, hurt our brand and reputation. We provide regular updates to our messaging products, which may contain undetected errors, failures, vulnerabilities and bugs when first introduced or released. Real or perceived errors, failures or bugs in our products could result in negative publicity, loss of or delay in market acceptance of our messaging platform, loss of competitive position, lower customer retention or claims by customers for losses sustained by them. In such an event, we may be required, or may choose, for customer relations or other reasons, to expend additional resources in order to help correct the problem. In addition, we may not carry insurance sufficient to compensate us for any losses that may result from claims arising from defects or disruptions in our products. As a result, our reputation and our brand could be harmed, and our business, results of operations and financial condition may be adversely affected.

We face a risk of litigation resulting from customer misuse of our messaging software to send unauthorized messages in violation of applicable laws.

The actual or perceived improper sending of messages with our messaging software may subject us to potential risks, including liabilities or claims relating to consumer protection laws. The scope and interpretation of the laws that are or may be applicable to the delivery of messages are continually evolving and developing. If we do not comply with these laws or regulations or if we become liable under these laws or regulations due to the failure of our customers to comply with these laws by obtaining proper consent, we could face direct liability.

In addition, if our customers' use of our messaging products will not adhere to privacy regulations and messaging rules, they and us may be blocked from sending more messages through specific channels and may be fined for such conduct. Our failure to prevent such infringements could have a material adverse effect on our business.

System disruptions and failures may result in customer dissatisfaction, customer loss or both, which could materially and adversely affect our reputation and business.

We provide real-time messaging services to our customers. The continued and uninterrupted performance of these services for our customers is critical to our success. Customers may become dissatisfied by any service failure that interrupts their business, which could lead them to stop using our messaging services. This could materially and adversely affect our reputation and business.

Changes to regulations or technology vendor rules could materially and adversely affect our business.

We use messaging technologies and products, such as SMS and WhatsApp, to deliver messages from our customers to consumers. Changes in rules and regulations may prevent us from using some services, which may block our ability to grow our services and have a material adverse effect on our business.

Risks Relating to our Ordinary Shares

Our share price has fluctuated and could continue to fluctuate significantly.

The market for our ordinary shares, as well as the prices of shares of other technology companies, has been volatile. The price of our ordinary shares has fluctuated significantly over the years.

We do not control these matters and any of them may adversely affect our share price. In addition, trading in shares of companies listed on the Nasdaq Global Market in general and trading in shares of technology companies in particular has been subjected to extreme price and volume fluctuations that have been unrelated or disproportionate to operating performance. These broad market and industry factors may depress our share price, regardless of our actual operating results. Given the likely volatility that exists for our ordinary shares, sales of a substantial number of our ordinary shares could cause the market price of our ordinary shares to decline.

If we are characterized as a passive foreign investment company, our U.S. shareholders will be subject to adverse tax consequences.

If, for any taxable year, either (i) 75% or more of our gross income is passive income; or (ii) 50% or more of our assets, averaged over the year and generally determined based upon value, including cash (even if held as working capital), produce or are held to produce passive income, we may be characterized as a “passive foreign investment company”, or PFIC for U.S. federal income tax purposes. For this determination, passive income includes dividends, interest, royalties, rents, annuities and the excess of gain over losses from the disposition of assets that produce passive income.

As a result of our cash position and the value of our assets, we may be deemed to be a PFIC for U.S. federal income tax purposes.

If we are characterized as a PFIC, our shareholders who are residents of the United States will be subject to adverse U.S. tax consequences. Our treatment as a PFIC could result in a reduction in the after-tax return to shareholders resident in the United States and may cause a reduction in the value of our shares. If we were to be treated as a PFIC, our shareholders will be required, absent certain elections, to pay an interest charge together with tax calculated at the then prevailing highest tax rates on ordinary income on certain “excess distributions” including any gain on the sale of Ordinary Shares. The consequences of holding shares in a PFIC are described below under “Additional Information - United States Federal Income Tax Consequences - Passive Foreign Investment Companies.” Prospective investors should consult with their own tax advisors with respect to the tax consequences applicable to them of investing in our Ordinary Shares.

Our articles of association provide that unless we consent to an alternative forum, the federal district courts of the United States shall be the exclusive forum for the resolution of any claims arising under the Securities Act of 1933, as amended, or the Securities Act, which may limit the ability of our shareholders to initiate litigation against us or increase the cost thereof.

Our articles of association provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States shall be the exclusive forum for the resolution of any claims arising under the Securities Act. Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act actions, and accordingly, both state and federal courts have jurisdiction to entertain such claims. While the federal forum provision in our amended and restated articles does not restrict the ability of our shareholders to bring claims under the Securities Act, we recognize that it may limit shareholders’ ability to bring a claim in the judicial forum that they find favorable and may increase certain litigation costs, which may discourage the filing of claims under the Securities Act against the Company, its directors and officers. However, the enforceability of similar forum provisions (including exclusive federal forum provisions for actions, suits or proceedings asserting a cause of action arising under the Securities Act) in other companies’ organizational documents has been challenged in legal proceedings, and there is uncertainty as to whether courts would enforce the exclusive forum provision that we propose to add to our articles of association. If a court were to find the choice of forum provision contained in our articles of association to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could materially adversely affect our business, financial condition and results of operations.

Risks Relating to Our Location in Israel

Potential political, economic and military conditions concerning Israel may harm our operating results.

While the vast majority of our employees are located outside of Israel, most of our senior management is located in Israel. Accordingly, our operating results may be directly influenced by economic, political and military conditions in and relating to Israel.

Since the establishment of the State of Israel in 1948, the region has experienced recurring armed conflicts and periods of heightened geopolitical instability. Since late 2023, these conditions have intensified, including prolonged military conflict with Hamas in the Gaza Strip, Hezbollah in Lebanon, and occasional attacks by the Houthi movement in Yemen. In June 2025 and in February 2026, the regional situation further escalated into direct military hostilities between Israel and Iran, involving large-scale missile and drone attacks against Israel. A ceasefire brokered by the United States was reached on June 24, 2025; however, on February 28, 2026, a new war began between Iran and other countries in the Middle East including Israel and the USA, and it remains ongoing as of the date of this annual report.

Furthermore, the downfall of the Assad regime in December 2024 has resulted in a volatile transitional situation in Syria, while the November 2024 ceasefire with Lebanon remains fragile and subject to sporadic hostilities. Ongoing instability and heightened levels of violence in the West Bank could further escalate. Any continued or renewed armed conflicts, including the involvement of additional state or non-state actors, could negatively affect business conditions and harm our results of operations.

Furthermore, some of our Israeli employees are subject to military reserve duty. Frequent or prolonged mobilization of these personnel may disrupt our operations. Several countries, companies and trade groups restrict business with Israel and Israeli companies, and additional countries, companies and trade groups may restrict doing business with Israel and Israeli companies for political reasons. These restrictive laws and policies may seriously harm our operating results, financial condition, or the expansion of our business. The situation in Israel or the region could adversely affect our operations if our customers and/or strategic partners believe that instability could affect our ability to fulfill our commitments

To date, our business and operations have not been materially adversely affected by the conflicts described above. We maintain backup IT systems and remote work capabilities that we expect will enable our operations to function in the event of an emergency.

It may be difficult to enforce a U.S. judgment against us, our officers and directors or to assert U.S. securities laws claims in Israel.

We are incorporated in the State of Israel. All of our executive officers and directors are nonresidents of the United States, and a substantial portion of our assets and the assets of these persons are located outside the United States. Therefore, it may be difficult for a shareholder, or any other person or entity, to collect a judgment obtained in the United States against us or any of these persons, or to effect service of process upon these persons in the United States.

We have been informed by our legal counsel in Israel that it may be difficult to bring original actions in Israel to enforce civil liabilities under the Securities Act and the Securities Exchange Act of 1934, as amended, or the Exchange Act. Israeli courts may refuse to hear a claim based on a violation of U.S. securities laws because Israel is not the most appropriate forum to bring such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not U.S. law is applicable to the claim. If U.S. law is found to be applicable, the content of applicable U.S. law must be proved as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by Israeli law. There is little binding case law in Israel addressing these matters.

Subject to specified time limitations and legal procedures, under the rules of private international law currently prevailing in Israel, Israeli courts may enforce a U.S. judgment in a civil matter, including judgments based upon the civil liability provisions of the U.S. securities laws and including a monetary or compensatory judgment in a non-civil matter, provided that the following key conditions are met:

- subject to limited exceptions, the judgment is final and non-appealable;
- the judgment was given by a court competent under the laws of the state of the court and is otherwise enforceable in such state;
- the judgment was rendered by a court competent under the rules of private international law applicable in Israel;
- the laws of the state in which the judgment was given provide for the enforcement of judgments of Israeli courts;
- adequate service of process has been effected and the defendant has had a reasonable opportunity to present his arguments and evidence;
- the judgment and its enforcement are not contrary to the law, public policy, security or sovereignty of the State of Israel;
- the judgment was not obtained by fraud and does not conflict with any other valid judgment in the same matter between the same parties; and
- an action between the same parties in the same matter was not pending in any Israeli court at the time the lawsuit was instituted in the U.S. court.

Provisions of Israeli law and our articles of association may delay, prevent or make difficult a change of control and therefore may depress the price of our stock.

Some of the provisions of our articles of association and Israeli law could, together or separately:

- discourage potential acquisition proposals;
- delay or prevent a change in control; and
- limit the price that investors might be willing to pay in the future for our ordinary shares.

In particular, our articles of association provide that our board of directors will be divided into three classes that serve staggered three-year terms and authorize our board of directors to adopt protective measures to prevent or delay a coercive takeover, including without limitation the adoption of a "Shareholder Rights Plan." In addition, Israeli corporate law regulates mergers and acquisitions of shares through tender offers, requires approvals for transactions involving significant shareholders and regulates other matters that may be relevant to these types of transactions. See Item 10.B, "Memorandum and Articles of Associations - Mergers and Acquisitions under Israeli Law." Furthermore, Israeli tax law treats stock-for-stock acquisitions between an Israeli company and a foreign company less favorably than does U.S. tax law. For example, Israeli tax law may subject a shareholder who exchanges his ordinary shares for shares in another corporation to taxation prior to the sale of the shares received in such stock-for stock swap.

Our articles of association provide that the competent courts of Tel Aviv, Israel are the exclusive forum for substantially all disputes between us and our shareholders under the Companies Law and the Securities Law, which could limit our shareholders' ability to bring claims and proceedings against us, our directors, officers, and other employees.

Our articles of association provide that the competent courts of Tel Aviv, Israel are the exclusive forum for (i) any derivative action or proceeding brought on behalf of the Company, (ii) any action asserting a claim of breach of fiduciary duty owed by any of our directors, officers or other employees to the Company or to our shareholders, or (iii) any action asserting a claim arising pursuant to any provision of the Israeli Companies Law or the Israeli Securities Law, 1968, or the Securities Law. This exclusive forum provision applies to claims arising under Israeli law and would not apply to claims brought pursuant to the Securities Act or the Exchange Act or any other claim for which federal courts would have exclusive jurisdiction. Such exclusive forum provision does not relieve us of our duties to comply with federal securities laws and the rules and regulations thereunder, and our shareholders will not be deemed to have waived our compliance with these laws, rules and regulations. This exclusive forum provision may limit a shareholder's ability to bring a claim in a judicial forum of its choosing for disputes with us or our directors, officers or other employees, which may discourage lawsuits against us, our directors, officers and employees.

Item 4. Information on the Company

A. History and Development of the Company

General

Our name is MIND C.T.I. Ltd. for both legal as well as commercial purposes. We were incorporated under the laws of the State of Israel on April 6, 1995 as a company with limited liability, and we are subject to the Israeli Companies Law and the regulations promulgated thereunder. Our principal executive offices are located at 2 HaCarmel Street, Yoqneam 2066724, Israel. Our telephone number is +972 4 993 6666. Our agent in the United States is MIND Software, Inc. and its principal offices are located at 10306 Eaton Pl., Suite 300, Fairfax, VA 22030, USA.

The SEC maintains an Internet site that contains reports, proxy and information statements, and other information that is filed electronically with the SEC at <http://www.sec.gov>. Our website address is at <https://mindcti.com>. Information contained, or that can be accessed through, our website does not constitute a part of this annual report and is not incorporated by reference herein, and we have included our website address in this annual report solely for informational purposes.

Principal Capital Expenditures

During 2025, 2024 and 2023, the aggregate cash amount of our capital expenditures was \$27 thousand, \$10 thousand, and \$64 thousand, respectively. These expenditures were principally for the purchase of equipment, mainly for the upgrade of our hosted platform that services the messaging segment, and electronic equipment for our engineering teams. Although we have no material commitments for capital expenditures, we anticipate an increase in capital expenditures if we purchase or merge with companies or purchase assets in order to obtain complementary technology and expand our product offerings, customer base and geographical presence.

B. Business Overview

Overview

We develop, manufacture, market and implement convergent billing and customer care software solutions for communication service providers, including traditional wireline and wireless, voice over IP, or VoIP, broadband IP network operators, wireless internet service providers, or WISPs, LTE and 5G carriers, and mobile virtual network operators, or MVNOs.

Our convergent billing and customer care solution supports multiple services, including voice, data and content services as well as prepaid, postpaid and pay-in-advance payment models in a single platform. It includes a powerful workflow engine to support the implementation of business processes, such as subscriber registration, order management, trouble ticket and debt collection, providing a high level of customization to our customer operation flows.

It also includes an integral point of sale (POS) solution that extends our offering to cover all dealer, store and cashier management and sales cycle related activities. Our solution is built upon a multi-layered architecture supporting real-time distributed processing, achieving high performance, scalability and high availability.

We enhanced our billing and customer care platform with optional modules that we developed in recent years, including online store (e-commerce), mobile app and self-service modules that enable high quality service with Omnichannel architecture.

MINDBill can be installed on-premises or in a cloud environment.

As part of our offering, we provide professional services, primarily to our billing and customer care customers, consisting of turnkey project delivery, customer support and maintenance services, integration, customizations and project management. Our professional services also include enhanced support options, known as managed services, which are performed from our offices. These managed services include performing day-to-day billing operational tasks.

In addition to our billing and customer care solutions, we offer Unified Communication (UC) analytics solutions and call accounting systems. UC analytics provides organizations with the data-driven insights necessary to optimize their communication strategies and with real-time feedback, to help identify and quickly resolve issues. UC analytics may also be used to enhance customer service interactions. By analyzing this data, companies can improve response times, identify common customer issues, and refine support processes to provide a better customer experience. In today's competitive environment, UC analytics helps to enrich operational efficiency and to achieve superior customer satisfaction.

In addition, from 2019, following the acquisitions of Message Mobile GmbH, or Message Mobile and GTX GmbH, or GTX (which was merged into Message Mobile in 2023), we offer enterprise messaging services and wholesale messaging services.

Our enterprise mobile messaging platform enables enterprises to easily communicate with clients and partners via text message / SMS, instant messaging or voice. The platform may be integrated with the customers' CRM or marketing automation platforms. The messaging services are used by businesses for direct communication with their customers for several reasons, such as customer care, notifications, appointments, OTPs (one-time passwords) and marketing.

Our wholesale mobile messaging business offers wholesale messaging services and messaging termination services on our software platform. The software is designed to provide advanced routing functionality enabling us to offer competitive wholesale and termination prices to other aggregators and service providers. The payment for the wholesale and termination services is based on volume (number of messages) and is being calculated and paid every month. In most cases, there are long-term contracts with other aggregators for the wholesale and termination services, but the prices are being negotiated ad-hoc based on demand.

Our Market Opportunity

Billing and Customer Care Industry

Billing and customer care are critical to telecommunications service providers as they enable them to manage customer relations, track and bill for usage, and launch, deploy and charge new services and bundles, marketing programs and rate plans. The need for comprehensive billing solutions is driven by the market trend that requires service providers to introduce new services, to be innovative in creating new product offerings and to optimize business processes for maximum efficiency. We provide tier 2 and tier 3 service providers with flexible, easy to deploy, truly convergent and scalable billing solutions.

From time to time, telecommunications service providers initiate searches for billing solutions to replace existing ones in order to offer additional services, reduce costs and improve service. In addition, our existing customers occasionally consider adding new modules that we developed to their existing platform, replacing other vendors or migrating to a newer version with up-to-date technology and enhanced functionality.

Also, from time to time, new providers surface and introduce new offerings to the market or try to attract a specific targeted customer base. They build new infrastructure or resell traffic and initiate searches for billing solutions.

Mobile Messaging

The global messaging market, via SMS and IP messaging, is unpredictable. Enterprises are moving marketing activities to mobile messaging technologies, with new use cases added every year. At the same time, there is an increase in the use of apps that do not require third party messaging solutions. Our Communications Platform as a Service, or CPaaS, provides simple APIs with well-defined ways to easily integrate messaging into the enterprise's legacy systems (such as CRM) or our own applications. Our platform helps our customers to reduce costly in-house development and the need to negotiate complex commercial agreements with service providers.

Our Strategy

Our objective is to be a leader in the market for convergent billing and customer care software for tier 2 and tier 3 service providers and in the market of UC analytics for enterprises, to increase our presence in mobile messaging and to remain as profitable as possible in an increasingly competitive environment.

One element of our strategy is to increase our presence through acquisitions. We intend to continue targeting potential acquisitions that could benefit our growth.

We believe that our customer base, high customer satisfaction and our reputation for offering high quality, reliable platform provide us with brand name recognition. We continually invest in development to enhance our offering and keep our platforms up-to-date.

As competition in our relevant markets is fierce and telecommunications spending is shrinking, we intend to explore new geographies and build new partnerships.

Our Products and Services

Billing and Customer Care Solutions

The key functionalities of our billing and customer care solutions are as follows:

- *Mediation.* Providing real-time and batch event collection, interfacing with the voice, content, data, service delivery and routing network elements;

- *Provisioning.* Setting up the ability of a subscriber to use services, enabling features and quantitative limits on network elements and legacy billing solutions;
- *Authentication, Authorization and Accounting.* Authenticating subscribers, authorizing a particular usage and calculating the amount to be charged to the subscriber;
- *Interconnect Billing.* MINDBill generates reports that enable providers to bill for traffic and services that are being transported across their networks by other providers;
- *Roaming.* MINDBill provides the ability to define and manage the required roaming contract terms and the applicable tariff plan for each roaming partner;
- *Virtual Providers.* MINDBill allows carriers to have resellers of traffic under different brand names and manage them as Virtual Providers;
- *Multiple Services and Products Support.* MINDBill allows CSPs to provide all types of services and bundle them into packages with special rates, discounts and promotions;
- *On-Line-Charging (OCS).* Flexible real-time rating engine that facilitates a wide variety of billing plans and tariff parameters, content-based rates, rates based on the day of the week, time of the day, call origin and destination and multi-currency rates for international services;
- *Invoicing.* Support for all stages of invoice generation, multiple billing cycles and invoice on demand. Invoices can be printed locally or exported to printing service bureaus, using a customizable invoice layout;
- *Account Receivables (A/R).* MINDBill manages all A/R activities, supports multiple payment methods and a built-in debt collection process;
- *Collection procedures.* Flexible collection solution that provides full monitoring and control of the collection treatment (dunning process);
- *Customer Support Representative Web Interface.* User-friendly web interface that allows operators to perform all customer care operations from any location;
- *Self-Care Web Interface.* Subscriber web interface that allows subscribers to obtain information about their account, including invoices, payments and usage details. Subscribers can also make payments and update subscription details;
- *E-commerce Web Interface.* New module that supports the entire sales cycle of plans, devices and accessories;
- *Point of Sale (POS).* Our POS enables operators to offer their products and services in retail stores, selling services, equipment and accessories to new and existing customers. POS integrates with external systems, such as credit card clearinghouses, external taxation engines, field service solutions and address validation systems;

- *Business Processes Workflow Environment.* Creating tailored business processes such as customer onboarding, managing subscriptions, trouble tickets and debt collection; and
- *Monitoring.* MINDBill includes a monitoring tool that enables 24x7 operational control, proactive monitoring and historical analysis of the platform's behavior.
- *IoT Device Management & Provisioning.* We recently launched an IoT solution that enables service providers to centrally manage, provision, and monitor IoT devices and related services at scale. This expands our offering to support growing IoT connectivity use cases for enterprise customers
- *AI Platform.* We are actively developing our AI platform to enhance our current offerings. One of the first products ready for launch is a chatbot AI, which can be integrated into our billing solution or used as a standalone tool. This chatbot will respond to customer inquiries regarding account information and assist customer service representatives.

Enterprise Software

Our enterprise product, known as PhonEX ONE, is used by corporations for telecom expense management, call accounting, traffic analysis and fraud detection. It allows organizations to more effectively manage their telecommunications resources. PhonEX ONE is a call management system that collects, records and stores all call information and enables:

- to generate near real-time reports on the enterprise's communication use;
- monitor quality of experience;
- track agent's performance in contact centers;
- produce sophisticated reports and graphics for easy and effective analysis of call activity; and
- allocate telephone expenses to specific departments, individual clients or projects.

PhonEX ONE can be installed on-premises or in a cloud environment.

Some of its major advantages are:

- *Quality of Service (QoS) Monitoring.* PhonEX ONE enables quantification of the user's perceived audio call quality so the organization can ensure the relevant communication quality of experience of its contact centers, calls between branches, out-going calls, etc.;
- *User centric.* The PhonEX ONE user-centric architecture provides a consolidated solution for the collection, analysis, reporting, and managing of all the telecommunication and data traffic expenses;

- *Dashboard.* A visual representation of the most significant information regarding calls, a useful tool that helps administrators to get a quick and relevant image of the general system activity. The Dashboard can quickly provide - through its graphical and non-graphical monitors - a snapshot over the outgoing and incoming calls, traffic and exceptions as well as several top requested reports;
- *Multi-site solution.* The PhonEX ONE scales to support large multi-site organizations using voice and data equipment from multiple vendors. PhonEX ONE supports complex hierarchies on which any employee can be associated to any branch of the organization and under a separate matrix to any corporate department;
- *ASP.NET and MS-SQL database.* PhonEX ONE is designed using the Microsoft.Net technology and has extensive configuration capabilities using XML files with server – client interaction;
- *Certification by IP switch vendors.* PhonEX ONE is interoperable and certified on a timely manner with new releases of IP switch vendors, including Cisco and Microsoft;
- *Enhanced security.* PhonEX ONE security management includes user authentication, security group restrictions, event log monitoring and encryption methodology of database entries. This management tool enables a secure and easy control over the system;
- *Modular architecture supporting high scalability.* The PhonEX ONE's scalable system architecture supports an unlimited number of sites and extensions;
- *Guard and Alerter.* The PhonEX ONE Guard and Alerter provide sophisticated tools for fraud prevention, alerting on phone misuse, budget surpass, possible toll fraud or other abnormal behaviors within the organization; and
- *Multilingual and multicurrency.* The built-in support of multiple languages and multiple currencies enables telecom expense management for multinational organizations.

Mobile Messaging

Following the acquisition of Message Mobile and GTX in 2019, we offer messaging solutions to enterprise and wholesale customers. We plan to expand the range of services we offer and the technological vehicles used to deliver them to our customers, and to increase the rate of new customer acquisition by facilitating self-registration and on-boarding for new customers, and by offering competitive pricing and quality services.

Technology

Our software products are based on an open architecture, which was developed using industry standard API that enables it to readily integrate with other software applications. These application program interfaces create an object-oriented, multi-layered architecture that support a distributed environment. Our object-oriented technology enables the design and implementation of software utilizing reusable business objects rather than complex procedural codes. We implement our software in a distributed configuration. This allows further customization and solution adjustment based on modules to be installed on different servers to support the system's scalability and security. We utilize a business processes workflow environment that facilitates the implementation of tailored and automated business processes to fit our customers' unique business rules.

We believe that our technology allows us to offer products with the following benefits:

- fast integration and interoperability with telecommunications equipment of major manufacturers, legacy systems and external software;
- modular architecture that allows our products to be easily scalable and enables us to customize our software relatively quickly;
- reliable products that support high availability of the service for mission-critical applications; and
- security at all levels of the architecture.

Our messaging services are based on our modern, cloud-based messaging platforms developed by our subsidiaries in Germany.

Sales and Marketing

We conduct our sales and marketing activities primarily directly. We also work with appointed distributors and resellers throughout the world.

Our marketing programs are focused on creating awareness, interest and preference for our products and services. We engage in some marketing activities, including participating in industry trade shows and special events.

Principal Markets

The following table shows our revenues for each of the past three years classified by type of revenue and geographic region.

	Years Ended December 31,		
	2025	2024	2023
	(dollars in thousands)		
The Americas (total)	\$ 6,687	\$ 8,508	\$ 7,897
Services	6,540	8,351	7,739
Sale of Licenses	147	157	158
Asia Pacific and Africa (total)	397	475	1,162
Services	364	439	1,129
Sale of Licenses	33	36	33
Europe (total)	11,425	11,402	11,633
Services	11,169	11,216	11,384
Sale of Licenses	256	186	249
Israel (total)	948	1,061	920
Services	651	712	802
Sale of Licenses	297	349	118
Total	19,457	21,446	21,612
Services	18,724	20,718	21,054
Sale of Licenses	733	728	558

Customers

Billing and Customer Care Solutions

Our billing and customer care solutions have been installed for a large base of customers worldwide, including:

- Traditional telephony providers that evolved into quad-play providers, offering wireless, wireline, cable, IPTV, content and internet services, such as Moldtelecom, Belize Telemidia and Docomo Pacific;
- Internet services providers that offer a triple play of broadband data, VoIP and video, such as Hrvatski Telekom, Vodafone Net and MSTelcom;
- Cable providers that also offer voice services, such as EastLink; and
- Mobile Virtual Network Enablers (MVNEs), such as Pelephone Communications Ltd.

Enterprise Software

Our enterprise software products have been installed for a large base of customers worldwide, including international banking firms, global technology leaders, government agencies and other thousands of small to very large organizations.

Messaging Services

Our messaging solutions are used by more than 100 enterprise customers, mostly in Germany.

Competition

Billing and Customer Care Solutions

Competition in the market for billing and customer care software is intense and we expect competition to continue to be strong.

We believe that our competitive advantage is based on:

- our ability to rapidly deploy a complete turn-key product-based solution;
- our truly convergent platform using one database and one product catalog for both prepaid and postpaid subscribers;
- our solutions' functionality, which includes billing, customer care, point-of-sale, mediation, provisioning, online charging for multiple services and online store (e-commerce) modules;
- our proven platform and our many years of experience to satisfy customer requirements; and
- our flexibility to meet customer requirements in a short time frame.

Some of our competitors have greater financial, technical, sales, marketing and other resources and greater name recognition than we do. Some of our competitors have lower cost structure and compete with us on pricing. Current and potential competitors have established, and may establish in the future, cooperative relationships among themselves or with third parties to increase their ability to address the needs of prospective customers. Accordingly, new competitors or alliances among competitors may emerge and rapidly acquire significant market share and their solutions could achieve greater market acceptance than our solutions.

Enterprise Software

Our competitors in the market for enterprise software products are mainly local companies. To compete effectively, companies must be able to offer adequate technical support and ongoing product development. In addition, multinational companies prefer call accounting systems that can be installed at their various offices throughout the world, and therefore require call accounting products that are multilingual and support the local telecommunication requirements. The principal factors upon which we compete are scalability, ease of use, being certified by major IP switch vendors and the multi-lingual and multi-currency nature of our system.

Messaging

Our competition in the messaging market in Germany comes from a few international companies, such as Sinch AB and CM.com, and from many small, local service providers in Germany. Our competitive advantage is based on a combination of technology and service – our ability and will to tailor our services to the needs of enterprise customers.

C. Organizational Structure

Set forth below is a list of our significant subsidiaries:

- MIND Software Limited, a wholly owned subsidiary, incorporated in the United Kingdom;
- MIND Software, Inc., a wholly owned subsidiary, incorporated in the State of Delaware;
- MIND Software SRL., a wholly owned subsidiary of MIND Software Limited, incorporated in Romania;
- MIND CTI GmbH, a wholly owned subsidiary, incorporated in Germany;
- Message Mobile GmbH, a wholly owned subsidiary of MIND CTI GmbH, incorporated in Germany; and
- Aurenz GmbH, a wholly owned subsidiary of MIND CTI GmbH, incorporated in Germany.

D. Property, Plant and Equipment

Our headquarters are located in Yoqneam, Israel, approximately 50 miles north of Tel Aviv. We lease approximately 5,800 square feet at our Yoqneam headquarters, approximately 3,000 square feet in Luneburg, Germany, approximately 1,600 square feet in Plochingen, Germany, approximately 7,900 square feet in Iasi, Romania, and approximately 2,080 square feet in Suceava, Romania. The offices in Luneburg are used by our subsidiary Message Mobile and the offices in Plochingen are used by our subsidiary aurenz. The offices in Iasi and Suceava are used primarily for software development and for customer support.

Item 4A. Unresolved Staff Comments

Not applicable.

Item 5. Operating and Financial Review and Prospects

The following discussion and analysis of our financial condition and results of operations should be read together with our audited consolidated financial statements and the related notes included elsewhere in this annual report. The following discussion contains forward-looking statements that are based upon our current expectations and are subject to uncertainty and changes in certain circumstances. Actual results may differ materially from these expectations due to inaccurate assumptions and known or unknown risks and uncertainties, including those identified under “Forward-Looking Statements and Summary Risk Factors” and under “Risk Factors” elsewhere in this annual report.

Overview

We were incorporated in Israel in 1995 and started providing our enterprise software products in that year. In 1997, we introduced our billing and customer care software for Voice over IP. We have enhanced our billing solutions since then to support multiple IP services, wireless and wireline carriers and triple play (voice, data and content) service providers. Following the acquisitions completed during 2019 (see below), we, together with our subsidiaries, also provide enterprise and wholesale messaging, communication solutions.

On March 25, 2019, we acquired Message Mobile, a leading provider of enterprise messaging, communication and payment solutions, based in Germany, with more than 15 years' experience in the mobile industry. Its messaging platform enables enterprises to easily communicate with clients and partners via text message / SMS, voice and instant messaging services like WhatsApp, Facebook Messenger and Telegram.

On September 25, 2019, we acquired GTX, a company based in Germany offering global SMS services for B-2-B customers, providing business partners a robust and easy-to-use system to send SMS messages to end-users at the best possible quality and attractive pricing, acting as a one-stop-platform for clients aiming to extend their messaging activities on different channels, e.g., WhatsApp, Chatbot on Messenger and Rich Communication Services (RCS). In 2023, GTX was merged with Message Mobile to form one legal entity that operates in the messaging segment.

On January 9, 2025, we acquired aurenz, a leading provider of UC analytics and call accounting solutions in Germany. Founded in 1983, aurenz maintains a leading position in the field of call accounting and, in recent years, in UC analytics. aurenz's solutions provide essential added value for unified communication systems, easily and quickly integrating into every UC implementation. aurenz prides itself on delivering outstanding service to ensure seamless installations and integrations. During 2025, aurenz did not meet its anticipated performance objectives, largely as a result of delays in a significant government project.

In 2025, 50% of our total revenues were derived from providing our billing and customer care software, 35% of our total revenues were derived from enterprise messaging and 15% of our total revenues were derived from providing our enterprise software. In 2025, services represented 96% of our total revenues and license fees represented 4% of our total revenues.

In 2025, 2024 and 2023, one customer accounted for approximately 15%, 11% and 12% of our total revenues, respectively. We expect to derive a greater portion of our revenues from a small number of changing customers.

Consolidation in the telecom markets was not favorable to us in the last years, and we lost a few customers each year and, at the same time, closed fewer deals and at lower values than in previous years. Accordingly, we expect we will not be able to maintain our revenues and our profitability levels in the near term.

Until and including 2025, our dividend policy was to declare a dividend distribution once per year, in the approximate amount of our EBITDA for the preceding year plus net financial income minus taxes on income, subject to specific board of directors' approval and applicable law. Since 2003, our cash dividends amount to approximately \$6.0 per share. The amount per share that we distributed in 2025, 2024 and 2023 was \$0.22, \$0.24, and \$0.24, respectively. In 2025, our board of directors decided to discontinue dividend distributions and to change the Company's capital return policy to a share repurchase program. In 2025, we repurchased shares in the amount of \$130 thousand. See Item 16E for more information about our share repurchase program.

Revenues. In the billing and related services segment, we are paid license fees by our customers for the right to use our products, based on (i) traffic volume, which is measured by factors such as number of subscribers, and (ii) the functionality of the system, based on application modules that are added to the software. In relation to our professional services, other than maintenance services and managed services, we mainly quote a fixed price based on the type of service offered, estimated direct labor costs and the expenses that we will incur to provide these services. We also provide Agile development teams that perform solution enhancements, each dedicated for a period of time to a specific customer, for a fixed cost per person per month. Fees for maintenance services are based on a percentage of the solution fee and are paid annually, quarterly or monthly. Fees for managed services are primarily based on the number of subscribers or customers' business volume and are paid monthly.

We primarily use two business models when we sell our solutions in the billing and related services segment, the license model and the managed services model. In the license model, the customer pays a one-time implementation fee, a one-time license fee for a perpetual license limited by the traffic metrics chosen by the customer, and additional fees to expand the chosen traffic metrics limitation. In addition, we are paid maintenance fees to renew periodically the maintenance agreement at the customer's discretion. In the managed services model, the customer pays a one-time implementation fee, a monthly fee that includes a periodic license (right to use), maintenance and services fees, calculated by the metrics chosen by the customer (mainly, number of subscribers).

In the messaging segment, revenues are derived from customers using our messaging software platform, when the messaging service has been rendered, i.e., the messages are delivered to recipients. All the revenues in the messaging segment are recognized as services revenues.

We provide a revenue breakdown for our billing and customer care software, our messaging solutions and our enterprise call management software. We believe that this information provides a better understanding of our performance and allows investors to make a more informed judgment about our business.

Cost of Revenues. In the billing and related services segment, the cost of revenues consists primarily of direct labor costs and overhead expenses related to software installation and maintenance. Cost of revenues also includes, among other things, software license fees to third parties, primarily Oracle, hardware, travel expenses and shipping costs.

In the messaging segment, the cost of revenues consists primarily of fees paid to network providers. Our arrangements with the network service providers require us to pay fees based on the volume of text messages sent, as well as telephone numbers acquired by us to service our customers.

Research and Development Expenses. Our research and development expenses consist primarily of payroll, overhead and related costs for research and development personnel and depreciation of equipment. Research and development costs related to software products are expensed as incurred until the “technological feasibility” of the product has been established. Because of the relatively short time period between “technological feasibility” and product release, no software development costs have been capitalized. We expect to continue to make investments in research and development.

Selling and Marketing Expenses. Our selling and marketing expenses consist primarily of payroll, overhead and related costs, for sales and marketing personnel, sales commissions, marketing programs, promotional materials, travel expenses and trade shows expenses.

General and Administrative Expenses. Our general and administrative expenses consist primarily of payroll, overhead and related costs for executives and administrative personnel, professional fees, directors’ fees, insurance, costs related to being a public company, allowance for credit losses and other general corporate expenses.

Financial Income, Net. Our financial income, net consists mainly of interest earned on bank deposits and marketable securities, gains and losses from the change in value and realization of marketable securities, gains and losses from the remeasurement of monetary balance sheet items denominated in non-dollar currencies into dollars, net of bank charges.

Taxes on Income. See “Corporate Tax Rate” below.

A. Operating Results

The following discussion of our results of operations for the years ended December 31, 2025 and 2024, including the percentage data in the following table, is based upon our statements of operations contained in our consolidated financial statements for those years, and the related notes thereto, included in Item 18:

	Years Ended December 31,	
	2025	2024
	(% of revenues)	
Revenues	100.0%	100.0%
Cost of revenues	49.0	49.9
Gross profit	51.0	50.1
Operating expenses:		
Research and development	20.8	15.8
Selling and marketing	7.5	6.0
General and administrative	11.9	7.8
Total operating expenses	40.2	29.6
Operating income	10.8	20.5
Financial income, net	3.5	2.7
Income before taxes on income	14.3	23.2
Taxes on income	0.8	1.5
Net income	13.5%	21.7%

Comparison of the Year Ended December 31, 2025 to the Year Ended December 31, 2024

Revenues

	Years Ended December 31,		% Change
	2025	2024	
	(dollars in millions)		
Services	\$ 18.7	\$ 20.7	(9.6)%
License sales	0.7	0.7	0.6%
Total revenues	\$ 19.4	\$ 21.4	(9.3)%

Total revenues decreased by \$2.0 million, or 9.3%, from \$21.4 million in 2024 to \$19.4 million in 2025, due to a decrease in revenues both in our messaging segment from \$7.8 million in 2024 to \$6.9 million in 2025 and in our billing and customer care segment from \$13.6 million in 2024 to \$12.6 million in 2025 (which include revenues of \$1.5 million from our newly acquired subsidiary, aurenz, which was acquired in the first quarter of 2025).

Revenues from services decreased by \$2.0 million from \$20.7 million in 2024 to \$18.7 in 2025, primarily due to the decrease in revenues as discussed above. Revenues from licenses were \$0.7 million in each of 2024 and 2025.

Revenues from our billing and customer care solutions for service providers decreased by \$2.2 million from \$11.8 million in 2024 to \$9.6 million in 2025. The decrease was primarily due to the shrinking relevant telecom markets and loss of a few customers. We expect a future trend of revenue decline due to shrinking relevant telecom markets and strong competition, a decrease in revenues from an existing customer, the loss of a few customers and a decrease in maintenance revenues.

Revenues from our messaging segment decreased by \$0.9 million from \$7.8 million in 2024 to \$6.9 million in 2025 due to a decline in the volume of messages used by customers.

Revenues from our enterprise products increased by \$1.1 million from \$1.9 million in 2024 to \$3.0 million in 2025. The increase was primarily attributed to the newly acquired subsidiary, aurenz, offset by a decrease in maintenance revenues from existing customers, including a decrease of \$0.4 million due to the loss of one significant customer in 2024. We continue to expect that this market will generally decline.

The following table presents the geographic distribution of our revenues:

	Years Ended December 31,	
	2025	2024
	(% of revenues)	
The Americas	34.4%	39.7%
Europe	58.7	53.2
Asia Pacific and Africa	2.0	2.2
Israel	4.9	4.9
Total	100%	100%

Our revenues in the Americas decreased from \$8.5 million in 2024 to \$6.7 million in 2025. The decrease was primarily due to the loss of a few customers in this region during 2025. We expect this trend to continue.

Our revenues in Europe were \$11.4 million in each 2024 and 2025. The inclusion of the revenues of the newly acquired subsidiary, aurenz, was offset by the decrease in our messaging segment revenues.

Our revenues in Israel decreased from \$1.0 million in 2024 to \$0.9 million in 2025, mainly due to the completion of follow-on orders for customizations to two of our customers in Israel in 2024.

Cost of Revenues

	Years Ended December 31,		% Change
	2025	2024	
	(dollars in millions)		
Cost of services	\$ 9.4	\$ 10.6	(11.0)%
Cost of sales of licenses	0.1	0.1	(6.8)%
Total cost of revenues	<u>\$ 9.5</u>	<u>\$ 10.7</u>	(10.9)%

Total cost of revenues in 2025 decreased by \$1.2 million, or 10.9%, compared with 2024, primarily due to (i) the decrease in revenues in our messaging segment, which generated cost of revenues of \$5.8 million in 2025 and \$6.8 million in 2024 and a (ii) the decrease in cost of revenues in the billing and related services segment, which is attributed to an infrequent high cost of third-party hardware and licenses supplied as part of our solutions to a customer in 2024, offset by the inclusion of the results of the newly acquired subsidiary, aurenz.

Gross profit as a percentage of total revenues increased from 49.9% in 2024 to 51.0% in 2025, primarily attributed to the above-mentioned supplied third-party hardware and licenses.

Operating Expenses

	Years Ended December 31,		% Change
	2025	2024	
	(dollars in millions)		
Research and development	\$ 4.1	\$ 3.4	19.4%
Selling and marketing	1.5	1.3	13.9%
General and administrative	2.3	1.7	37.7%
Total operating expenses	<u>\$ 7.8</u>	<u>\$ 6.4</u>	23.2%

Research and Development. The increase in our research and development expenses by 19.4% in 2025 compared to 2024 was primarily due to the inclusion of the personnel expenses of the newly acquired subsidiary, aurenz. Research and development expenses as a percentage of total revenues increased from 15.8% in 2024 to 20.8% in 2025, due to the abovementioned decrease in revenues.

Selling and Marketing Expenses. Selling and marketing expenses increased from \$1.3 million in 2024 to \$1.5 million in 2025, mainly due to an increase in personnel costs and the inclusion of the results of the newly acquired subsidiary, aurenz. Selling and marketing expenses as a percentage of total revenues increased from 6.0% in 2024 to 7.5% in 2025, mainly due to the abovementioned decrease in revenues.

General and Administrative Expenses. General and administrative expenses increased from \$1.7 million in 2024 to \$2.3 million in 2025, mainly due to the change in the provision for credit losses and a one-time cost related to the acquisition of aurenz and the inclusion of its results. General and administrative expenses as a percentage of total revenues increased from 7.8% in 2024 to 11.9% in 2025, mainly due to the abovementioned increase in expenses and decrease in revenues.

Impairment of Goodwill. No impairment of goodwill was required following the annual assessment performed during each of 2024 and 2025.

Financial Income, net. In 2025, financial income mainly consisted of interest income on short-term bank deposits (including cash equivalents) and on marketable securities in the amount of \$475 thousand and gains from currency exchange rate fluctuations in the amount of \$255 thousand, offset by bank charges in the amount of \$33 thousand. In 2024, financial income mainly consisted of interest income on short-term bank deposits (including cash equivalents) and on marketable securities in the amount of \$750 thousand, offset by losses from currency exchange rate fluctuations in the amount of \$159 thousand and by bank charges in the amount of \$24 thousand.

Taxes on Income. Taxes on income are comprised of current and deferred taxes. On a regular basis, we estimate our actual current tax exposures and assess temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred taxes, which are included in our consolidated balance sheet. In 2025, our taxes on income in the amount of \$163 thousand included current taxes on income, mainly in Israel, in the amount of \$202 thousand, offset by deferred taxes income in the amount of \$99 thousand. In 2024, our taxes on income in the amount of \$334 thousand included current taxes on income, mainly in Israel, in the amount of \$252 thousand, offset by deferred taxes in the amount of \$43 thousand.

For a comparison of the year ended December 31, 2024 to the year ended December 31, 2023, please refer to Item 5 in our annual report on Form 20-F for the year ended December 31, 2024, filed with the SEC on March 18, 2025.

Our Functional Currency

The currency of the primary economic environment in which we operate is the dollar. Although 58% of our revenues are denominated in Euro, approximately 37% of our revenues are denominated in dollars and the vast majority of our cash reserves and investments are denominated in dollars. Thus, the functional currency of the Company and certain subsidiaries is the dollar.

The Company and certain subsidiaries' transactions and balances denominated in dollars are presented at their original amounts. Non-dollar transactions and balances have been remeasured to dollars in accordance with Accounting Standards Codification, or ASC, 830, "Foreign Currency Matters." All transaction gains and losses from remeasurement of monetary balance sheet items denominated in non-dollar currencies are reflected in the statements of operations as financial income or expenses, as appropriate.

For those subsidiaries whose functional currency has been determined to be a non-dollar currency, assets and liabilities are translated at year-end exchange rates, and statement of operation's items are translated at average exchange rates prevailing during the year. Such translation adjustments are recorded as a separate component of accumulated other comprehensive income (loss) in shareholders' equity.

Impact of Foreign Currency Fluctuations on Results of Operations

The dollar revenues and cost of our operations may be significantly influenced by currency fluctuations.

The weakening of the dollar in relation to the Euro and the NIS would have a negative effect on our profitability because we incur a significant portion of our expenses, mainly personnel expenses, in Euro and NIS.

The weakening of the dollar in relation to the Euro would have a significant positive effect on our revenues because we incur the majority of our revenues in Euro.

Because exchange rates between the NIS and the Euro to the dollar fluctuate continuously, exchange rate fluctuations and especially larger periodic devaluations would have an impact on our revenues, profitability and period-to-period comparisons of our results. The effects of foreign currency remeasurements are reported in our consolidated financial statements in current operations.

B. Liquidity and Capital Resources

Since our inception, we have financed our operations mainly through cash generated by operations. We supplemented this source by two private rounds of equity financing, the first in 1997 (with a follow-on in 1999) and the second in 2000 and our initial public offering in 2000, which raised total net proceeds in the amount of \$44.3 million.

As of December 31, 2025, we had \$8.1 million in cash and cash equivalents and \$5.4 million in short-term bank deposits and marketable securities, and our working capital was \$11.9 million. In our opinion, our working capital is sufficient for our requirements for the foreseeable future.

The majority of our cash and cash equivalents, our short-term bank deposits and marketable securities are denominated in dollars.

Net Cash Provided by Operating Activities. Net cash provided by operating activities in 2025 was \$4.0 million, attributable to our net income of \$2.6 million, non-cash related items, net, in the amount of \$0.4 million and an increase in operating assets and liabilities items in the amount of \$1.0 million. Net cash provided by operating activities in 2024 was \$4.1 million, attributable to our net income of \$4.6 million, non-cash related items, net, in the amount of \$0.4 million, offset by a net decrease in operating assets and liabilities items in the amount of \$1.0 million.

Net Operating Working Capital

As of December 31, 2025, net operating working capital was \$11.9 million, compared to \$15.6 million as of December 31, 2024. The decrease of \$3.7 million is mainly due to a decrease of \$2.2 million in our cash position and \$0.8 million in accounts receivable and an increase of \$1.1 million in deferred revenues, offset by a decrease of \$0.2 million in accounts payable and an increase of \$0.2 million in prepaid expenses.

Cash Deposits

As of December 31, 2025, we had approximately \$5.2 million in bank deposits with maturities of between three and twelve months.

Marketable Securities

As of December 31, 2025, we held marketable securities of approximately \$200 thousand.

Net Cash Provided by Investing Activities. In 2025, we provided cash of \$5.9 million from the redemption of short-term bank deposits, offset by \$1.5 million which was used for the acquisition of a subsidiary (net of existing cash in the acquired subsidiary pre-acquisition). In 2024, we provided cash of 2.4 million from the redemption of short-term bank deposits.

Net Cash Used in Financing Activities. In 2025, our financing activities included a cash dividend of \$4.5 million and repurchase of shares in the amount of \$130 thousand. In 2024, our financing activities included a cash dividend of \$4.9 million.

Capital Expenditures. The aggregate cash amount of our capital expenditures was \$27 thousand and \$10 thousand in 2025 and 2024, respectively. These expenditures were principally for the purchase of equipment, mainly for the upgrade of our hosted platform that services the messaging segment, and electronic equipment for our engineering teams. Although we have no material commitments for capital expenditures, we anticipate an increase in capital expenditures if we purchase or merge with companies or purchase assets in order to obtain complementary technology and to expand our product offerings, customer base and geographical presence.

Share Repurchase Program and Cash Dividends. Since 2003, we have distributed aggregate cash dividends of \$6.0 per share to our shareholders. During 2025, we acquired an aggregate of 117,998 of our ordinary shares for approximately \$130 thousand. For information about our dividend policy, please see Item 8, "Financial Information - Dividend Policy."

C. Research and Development, Patents and Licenses, etc.

We believe that investment in research and development is essential for maintaining and expanding our technological expertise in the market for billing and customer care software and to our strategy of being a leading provider of new and innovative convergent billing products. Our customers provide significant feedback for product development and innovation.

We have invested significant time and resources to create a structured process for undertaking research and product development. We believe that the method that we use for our product development and testing is well suited for identifying market needs, addressing the activities required to release new products, and bringing development projects to market successfully. Our product development activities also include the release of new versions of our products. Although we expect to develop new products internally, we may, based upon timing and cost considerations, acquire or license technologies or products from third parties.

We invested in research and development \$4.1 million (or 20.8% of our total revenues) in 2025 and \$3.4 million (or 15.8% of our total revenues) in 2024. The increase in 2025 was mainly due to an increase in personnel expenses due to the inclusion of the personnel expenses of the newly acquired subsidiary, aurenz. Our engineering department comprised approximately 85 employees as of December 31, 2025.

D. Trend Information

Communication network service providers are facing many challenges, including the need to reduce costs and offer new services. In addition, rapid advances in artificial intelligence are increasing competitive and financial pressure on service providers to improve operational efficiency and leverage AI capabilities across their organizations. At the same time, the use of wireline telephony is diminishing. Mobile operators, after incurring high investment expenses in deploying 5G networks, need to monetize high-speed connectivity and rich content offerings. Subscribers expect customer support, uninterrupted service and full digitalization, while telcos seek ways to reduce workforce and increase profitability. Our solutions address these challenges by enabling service providers to rapidly deploy all types of services for prepaid and postpaid, residential and business customers. Separately, we are developing new AI-enabled tools and capabilities intended to help service providers further improve efficiency and operations; however, these AI-enabled tools and capabilities are still under development.

There is a need to replace outdated billing systems that are not secure due to old technologies and that require high costs to operate. Most telcos in our relevant segment are reluctant to heavily invest in transformation projects and are turning to low-cost solutions. This buying behavior results in lower demand for our comprehensive and sophisticated end-to-end solutions, and we had no new customers in 2024 or 2025.

Our billing and customer care solutions target tier 2 and tier 3 service providers. Some service providers seek solutions implemented on a native cloud architecture. Although we made major progress this year in the development and transition of our solutions towards a native cloud architecture, we have not yet completed our native cloud readiness, which we expect to complete in 2026. This has harmed our competitive position.

The telecommunication market is undergoing consolidation and intensifying competition, and we have lost a few customers during each of the last few years. We expect that these trends will continue to negatively impact our revenues and profitability in 2026.

The current trend in messaging goes beyond traditional A2P SMS to conversational and omnichannel messaging, where companies reach their target groups via SMS, RCS/RBM, and messaging apps such as WhatsApp. While A2P SMS continues to form the basis for reliable, fast, and secure delivery - for example, for OTPs, banking, and shipping notifications - customers today increasingly expect interactive and dialogue-oriented communication. Companies are therefore increasingly relying on rich messaging and WhatsApp Business to not only provide information, but also enable direct conversation, service processes, and commerce. At the same time, automation and high security standards are becoming increasingly important. Messaging is thus evolving from a pure notification channel to a central platform for digital customer interaction. Therefore, we continue to enhance our platform to support the latest channels and features.

E. Critical Accounting Estimates

Our discussion and analysis of our consolidated financial statements of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP. The preparation of these financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenue, and expenses. On a regular basis, we evaluate and may revise our estimates. Actual results could differ materially from the estimates under different assumptions or conditions.

Goodwill impairment assessment is a critical accounting estimate. As a result of our acquisitions, our goodwill represents the excess of the consideration paid or transferred. Goodwill is subject to an annual impairment test or more frequently if impairment indicators are present. Goodwill impairment is deemed to exist if the net book value of a reporting unit exceeds its estimated fair value. When we perform such an analysis, we determine the fair value of a reporting unit, using discounted cash flows. In such analysis we apply assumptions that market participants would consider in determining the fair value of each reporting unit and the fair value of the identifiable assets and liabilities of the reporting units, as applicable.

Another critical accounting policy is revenue recognition. We have customer contracts in the billing and related services segment where revenue is recognized over time, as our performance does not create an asset with an alternative use and we have an enforceable right to payment, including a reasonable profit. Our determination of revenue to be recognized for these contracts accounted for over time requires management to make significant estimates of the total labor hours needed to complete the contracts, including updates to those estimates throughout the life of the contracts. The updates of the existing estimates are not expected to have a significant impact on our financial condition or results of operations.

F. [Reserved]

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

The following table sets forth certain information regarding our directors and executive officers as of the date of filing of this annual report:

Name	Age	Position
Ariel Glassner	52	Chief Executive Officer
Arie Abramovich	39	Chief Financial Officer
Nimrod Mano	55	Vice President Sales
Shoval Cohen Nissan	51	Vice President, Information Technology
Monica Iancu	68	Chairperson of the Board
Joseph Tenne	70	Director and Chairman of the Audit Committee
Itay Barzilay	51	Director
Orly Sorokin	47	Director

The background of each of our directors and executive officers is as follows:

Monica Iancu. Ms. Iancu founded MIND CTI Ltd. in 1995 and served as President and Chief Executive Officer of our company since its inception through October 2024 and now serves as the Chairperson of the Board. Ms. Iancu holds a B.Sc. degree in Computer Science and a Master's degree in Telecommunications (with expertise in Voice and Data Integration over the Ethernet) from the Technion, Israel Institute of Technology.

Ariel Glassner. Mr. Glassner joined MIND as Chief Executive Officer in November 2024. Ariel brings over 25 years of leadership experience, and his career includes CEO roles at startup companies during the last five years. Ariel shaped his expertise in Telco solutions during his 15-year tenure at Amdocs, leading the implementation of complex solutions for major telecommunication operators. He played a pivotal role in driving revenues and overseeing transactions and is also a graduate of the Amdocs Excellent Leaders program. Ariel holds a B.A. degree in Economics and Business and a Master's degree in Political Science from Bar Ilan University.

Arie Abramovich. Mr. Abramovich rejoined MIND in December 2022 as Chief Financial Officer. Prior to rejoining MIND, Arie served as Corporate Assistant Controller at Albaad Massuot Yitzhak Ltd. (TASE: ALBA). From 2020 until 2021, Arie served as MIND's Assistant Controller and prior to that as Senior Accountant at KPMG from 2017 until 2020. Mr. Abramovich holds a B.A. degree in Accounting from The School of Business Administration at the Hebrew University of Jerusalem, and he is a Certified Public Accountant in Israel.

Nimrod Mano. Mr. Mano joined MIND in November 2025 as Vice President of Sales. A veteran of the telecommunications and technology industries, Nimrod brings over 20 years of experience in driving international business development and scaling global accounts. Just before joining MIND, Nimrod spent seven years at Amdocs as a Customers Business Executive. Nimrod also held senior leadership roles at Comverse Technology, where he served as Area VP for his last three years at the company. Additionally, he co-founded and managed Comarcom and Infopulse Israel. Nimrod holds a B.S. in Economics and Business Administration from the University of Maryland.

Shoval Cohen Nissan. Mr. Cohen Nissan has served as our IT Manager since December 1998 and was promoted to Vice President of IT in 2016. Mr. Cohen Nissan leads the planning and management of the supporting infrastructure company-wide and the implementation of network security at the corporate level. He also acts as Purchasing Manager for our internal needs and customer solutions. Mr. Cohen Nissan holds a Practical Engineering degree from Braude College.

Joseph Tenne. Mr. Tenne has served as an independent director of our company since August 2014. Mr. Tenne serves as a director at AudioCodes Ltd. (Nasdaq and TASE: AUDC), at OPC Energy Ltd. (TASE: OPCE), at Electreon Wireless Ltd. (TASE: ELWS), and at Luzon Credit and Finance Ltd. (TASE: LUZC). From 2017 to 2023, Mr. Tenne served as a financial executive at Itamar Medical Ltd., a Nasdaq-listed company that was acquired by ZOLL Medical Corporation in December 2021. From 2014 to 2017, Mr. Tenne served as the CFO and VP Finance of Itamar Medical Ltd. From 2005 to 2013, Mr. Tenne served as the CFO of Ormat Technologies, Inc. (NYSE and TASE: ORA). From 2003 to 2005, Mr. Tenne was the CFO of Treofan Germany GmbH & Co. KG, a German company. From 1997 to 2003, Mr. Tenne was a partner in PwC Israel. Mr. Tenne holds a B.A. degree in Accounting and Economics and an M.B.A. degree from Tel Aviv University. Mr. Tenne is also a Certified Public Accountant in Israel.

Itay Barzilay. Mr. Barzilay has served as a director of our company since May 2020. Since 2024, Mr. Barzilay has served as the CFO of Elementor. From 2019 to 2024, Mr. Barzilay served as the CFO at Personetics. From 2010 to 2019, Mr. Barzilay held a number of finance leadership positions at Amdocs and most recently served as Vice President Finance for Amdocs Technology & Media and for Amdocs Global Services (Nasdaq: DOX). From 2008 to 2010, Mr. Barzilay was the CFO of MIND. From 2004 to 2008, Mr. Barzilay served in several finance management roles with Avaya. Mr. Barzilay is a Certified Public Accountant, holds a B.A. in Accounting and Economics from Tel Aviv University and an M.B.A. from NYU's Stern School of Business.

Orly Sorokin. Ms. Sorokin has served as a director of our company since May 2024. Since 2025, Ms. Sorokin has served as AI Technology Advocate for IBM. From 2023 to 2025, Ms. Sorokin held a number of positions at IBM, among them managing the IBM Alpha Zone acceleration program and country sales leader for the Internet of Things unit. In parallel, Ms. Sorokin served as a mentor to several innovation programs, such as the Hadassah Hospital accelerator, Oazis at Ben Gurion University and others. From 2011 to 2013, Ms. Sorokin served in a few sales positions in Radware and Communitake. From 2000 to 2011, she held sales and business development positions at MIND CTI. Ms. Sorokin holds a B.A. in Economics and an M.B.A. from Haifa University.

To the best of our knowledge, there are no family relationships between any of the directors or members of senior management named above. To the best of our knowledge, there is no arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any person referred to above was selected as a director or member of senior management.

B. Compensation of Directors and Executive Officers

The aggregate direct remuneration paid to all persons who served in the capacity of director or executive officer during 2025 was \$1.4 million, including \$0.09 million that was set aside for pension and retirement benefits. This does not include amounts expended by us for automobiles made available to our officers or expenses, including business, travel, professional and business association dues and expenses, reimbursed to officers, and do not include equity-based compensation expenses.

During 2025, we did not grant any options to our executive officers under our option plans options to purchase ordinary shares.

The table below outlines the compensation granted to our five most highly compensated office holders during or with respect to the year ended December 31, 2025. We refer to the five individuals for whom disclosure is provided herein as our "Covered Executives."

Summary Compensation Table (in dollars)

Name of Officer	Position of Officer	Salary	Cash Bonus ⁽¹⁾	Equity-Based Compensation ⁽²⁾	All Other Compensation ⁽³⁾	Total
Monica Iancu	Chairperson of the Board and former Chief Executive Officer ⁽⁴⁾	120,000	231,500	-	56,262	407,762
Ariel Glassner	Chief Executive Officer	240,000	-	-	69,321	309,321
Arie Abramovich	Chief Financial Officer	90,942	15,056	-	44,838	150,836
Gilad Parness	Vice President Sales ⁽⁵⁾	121,086	-	-	47,753	168,659
Shoval Cohen Nissan	Vice President, Information Technology	111,440	61,453	-	54,540	227,433

- (1) Amounts reported in this column represent annual incentive bonuses granted to the Covered Executives or commissions based on performance-metric formulas set forth in their respective employment agreements.
- (2) Amounts reported in this column represent the grant date fair value computed in accordance with accounting guidance for stock-based compensation.
- (3) Amounts reported in this column include personal benefits and perquisites, including those mandated by applicable law. Such benefits and perquisites may include, to the extent applicable to the respective Covered Executive, payments, contributions and/or allocations for savings funds (e.g., Managers Life Insurance Policy), education funds (referred to in Hebrew as "keren hishtalmut"), pension, severance, vacation, car or car allowance, medical insurance and benefits, risk insurance (e.g., life insurance or disability insurance), convalescence or recreation pay, payments for National Insurance (social security), and other personal benefits and perquisites consistent with the Company's guidelines. All amounts reported in this column represent incremental cost of the Company.
- (4) Ms. Iancu received salary during her severance period as our Chief Executive Officer until June 30, 2025. In addition, she received director remuneration from January 1, 2025, which is included in the table above under "All Other Compensation".
- (5) Mr. Parness served as VP Sales till December 31, 2025.

On May 4, 2017, our board of directors resolved that each of our non-executive directors will be entitled to receive an annual fee of \$13,200 and a participation fee of \$680 per meeting. On August 9, 2017, payment in the same amounts to each of our non-executive directors was approved by our shareholders. At the meeting our shareholders also approved that the remuneration of those of our directors who our Board classifies as "expert directors" (as such term is defined in the Israeli Companies Law) will be 20% more than the remuneration of non-expert directors.

C. Board Practices

Board of Directors

Our board is divided into three classes of directors, denominated Class I, Class II and Class III. The term of Class I will expire in 2028, Class II in 2026 and Class III in 2027. Monica Iancu is a member of Class I, Itay Barzilay and Joseph Tenne are members of Class II and Orly Sorokin is a member of Class III. At each annual general meeting of shareholders, directors will be elected by a simple majority of the votes cast for a three-year term to succeed the directors whose terms then expire. There is no legal limit on the number of terms that may be served by directors.

Pursuant to regulations that took effect in April 2016, a Nasdaq-listed company that does not have a controlling shareholder is entitled to opt out of the provisions of the Companies Law requiring at least two external directors and certain related requirements, so long as the company complies with the SEC regulations and Nasdaq listing rules regarding independent directors and the composition of the audit and compensation committees. In May 2016, our board of directors decided to adopt this relief, subject to the shareholder approval of related amendments to our articles of association, which occurred in August 2016.

Under the Companies Law, our board of directors must determine the minimum number of directors having financial and accounting experience, as defined in the regulations, which our board of directors should have. In determining the number of directors required to have such expertise, the board of directors must consider, among other things, the type and size of the company and the scope and complexity of its operations. Our board of directors has determined that we require one director with the requisite financial and accounting expertise.

Audit Committee

Under the Companies Law, our board of directors is required to appoint an audit committee, comprised of at least three directors. The members of the audit committee must satisfy certain independence standards under the Companies Law. Our audit committee consists of Mr. Joseph Tenne (Chairman of the audit committee), Mr. Itay Barzilay and Ms. Orly Sorokin.

Under the Companies Law, the roles of the audit committee include examining flaws in the management of the company's business, in consultation with the internal auditor and the company's independent accountants, suggesting remedial measures, approving specified related party transactions, establishing whistleblower procedures and assessing the company's internal audit system and the performance of its internal auditor. The approval of the audit committee is required to effect specified actions and transactions with office holders, controlling shareholders and entities in which they have a personal interest.

The Companies Law defines the term "office holder" of a company to include a director, the chief executive officer, the chief business manager, a vice president and any officer that reports directly to the chief executive officer.

Under the Nasdaq rules, our audit committee assists the board in fulfilling its responsibility for oversight of the quality and integrity of our accounting, auditing and financial reporting practices and financial statements and the independence qualifications and performance of our independent auditors. Our audit committee also has the authority and responsibility to oversee our independent auditors, to recommend for shareholder approval the appointment and, where appropriate, replacement of our independent auditors and to pre-approve audit engagement fees and all permitted non-audit services and fees. We have adopted an audit committee charter, which sets forth the qualifications, powers and responsibilities of our audit committee.

Our audit committee also serves as (i) our compensation committee, as described below, and (ii) our nominations committee, authorized to recommend all director nominees for the selection of the board of directors, provided that no such recommendation is required in cases, if any, where the right to nominate a director legally belongs to a third party. In its capacity as our compensation committee, the audit committee is authorized to, among other things, review, approve and recommend to our board of directors base salaries, incentive bonuses, including the specific goals and amounts, stock option grants, employment agreements, and any other benefits, compensation or arrangements of our office holders.

Under the Companies Law, at least once every three years our compensation committee is required to propose for shareholder approval by a special majority, a policy governing the compensation of office holders based on specified criteria, to review, from time to time, modifications to the compensation policy and examine its implementation and to approve the actual compensation terms of office holders prior to approval thereof by the board of directors. If the shareholders do not approve a proposed compensation policy, the board of directors is entitled to approve it if the compensation committee and the board of directors, after re-evaluating the proposed policy, conclude that approving the policy is in the company's best interests. A compensation policy was most recently approved at our 2025 annual general meeting.

All the members of our audit committee are "independent directors" under the Nasdaq rules and meet the additional qualifications for membership on an audit committee and a compensation committee under applicable law.

Internal Auditor

Under the Companies Law, the board of directors must appoint an internal auditor proposed by the audit committee. The role of the internal auditor is to examine, among other things, whether the company's actions comply with the law and orderly business procedure. The internal auditor must satisfy certain independence standards. Ms. Dana Gottesman-Erich, C.P.A., partner of the accounting firm of BDO Israel, serves as our internal auditor.

Fiduciary Duties of Office Holders

The Companies Law imposes a duty of care and a duty of loyalty on all office holders of a company. The duty of care requires an office holder to act with the level of care with which a reasonable office holder in the same position would have acted under the same circumstances. The duty of care includes a duty to use reasonable means to obtain:

- information on the advisability of a given action brought for his approval or performed by him by virtue of his position; and
- all other important information pertaining to these actions.

The duty of loyalty of an office holder includes a duty to:

- refrain from any conflict of interest between the performance of his duties in the company and the performance of his other duties or his personal affairs;
- refrain from any activity that is competitive with the company;
- refrain from exploiting any business opportunity of the company to receive a personal gain for himself or others; and
- disclose to the company any information or documents relating to a company's affairs which the office holder has received due to his position as an office holder.

Disclosure of Personal Interest of an Office Holder

The Companies Law requires that an office holder of a company disclose to the company any personal interest that he may have and all related material information known to him, in connection with any existing or proposed transaction by the company. The disclosure is required to be made promptly and, in any event, no later than the board of directors meeting in which the transaction is first discussed. If the transaction is an extraordinary transaction, the office holder must also disclose any personal interest held by:

- the office holder's spouse, siblings, parents, grandparents, descendants, spouse's descendants and the spouses of any of these people; or
- any corporation in which the office holder is a 5% or greater shareholder, director or general manager or in which he has the right to appoint at least one director or the general manager.

Under Israeli law, an extraordinary transaction is a transaction:

- other than in the ordinary course of business;
- other than on market terms; or
- that is likely to have a material impact on the company's profitability, assets or liabilities.

Approval of Related Party Transactions

Once an office holder complies with the above disclosure requirement, the board of directors may approve a transaction between the company and an office holder, or a third party in which an office holder has a personal interest. A transaction that is adverse to the company's interest may not be approved.

If the transaction is an extraordinary transaction, approval of both the audit committee and the board of directors is required. Under specific circumstances, shareholder approval may also be required.

Office Holder Compensation

In general, all office holders' terms of compensation – including fixed remuneration, bonuses, equity compensation, retirement or termination payments, indemnification, liability insurance and the grant of an exemption from liability – must comply with the company's compensation policy. In addition, the compensation terms of directors, the chief executive officer, and any employee or service provider who is considered a controlling shareholder generally must be approved separately by the compensation committee, the board of directors and the shareholders of the company, in that order. The compensation terms of other officers require the approval of the compensation committee and the board of directors.

Disclosure of Personal Interests of a Controlling Shareholder

Under the Companies Law, the disclosure requirements, which apply to an office holder, also apply to a controlling shareholder of a public company. For this purpose, a controlling shareholder is a shareholder who has the ability to direct the activities of a company, including a shareholder that owns 25% or more of the voting rights if no other shareholder owns more than 50% of the voting rights, but excluding a shareholder whose power derives solely from his or her position on the board of directors or any other position with the company. Extraordinary transactions with a controlling shareholder or in which a controlling shareholder has a personal interest (other than compensation matters, which are discussed above under "Office Holder Compensation"), require the approval of the audit committee, the board of directors and the shareholders of the company, in that order. Except under specific circumstances, such a transaction needs to be re-approved in accordance with the foregoing procedure once in every three years. The shareholder approval must be by a majority of the shares voted on the matter, provided that either:

- at least a majority of the shares of shareholders who have no personal interest in the transaction and who vote on the matter vote in favor thereof; or
- the shareholders who have no personal interest in the transaction who vote against the transaction do not represent more than two percent of the voting rights in the company.

Shareholders generally have the right to examine any document in the company's possession pertaining to any matter that requires shareholder approval. If this information is made public in Israel or elsewhere, we will file the information with the SEC in the United States.

For information concerning the direct and indirect personal interests of an office holder and principal shareholders in specified transactions with us, see Item 7.B, "Related Party Transactions."

Executive Officers

Our executive officers are appointed by our board of directors and serve at the discretion of our board of directors. We maintain written employment agreements with our executive officers. Each agreement terminates upon 30 or 60 days' written notice and provides for standard terms and conditions of employment.

D. Employees

As of December 31, 2025, 2024, and 2023 our total number of employees was 139, 136 and 144, respectively. The numbers and breakdowns of our employees as of the end of the past three years are set forth in the following table:

	As of December 31,		
	2025	2024	2023
Approximate numbers of employees by geographic location			
Israel	22	24	23
Romania	97	104	110
Germany	20	8	11
Total workforce	139	136	144
Approximate numbers of employees by category of activity			
General and administration	16	15	15
Research and development	85	84	90
Professional services and customer support	30	29	31
Sales and marketing	8	8	8
Total workforce	139	136	144

E. Share Ownership

As of March 1, 2026, Monica Iancu beneficially owned 3,121,527, or 15.3% of our ordinary shares. None of our other directors or members of senior management beneficially owns 1% or more of our ordinary shares.

We have established stock option plans to provide for the issuance of options to our directors, officers and employees. Our 2011 Share Incentive Plan was extended in 2022 for an additional ten years. Under the 2011 Share Incentive Plan, our ordinary shares and/or options to purchase our ordinary shares may be issued from time to time to our directors, officers, employees, consultants and contractors at exercise prices and on other terms and conditions as determined by our board of directors. Our board of directors determines the exercise price and the vesting period of options granted. Unless otherwise is determined by our Board, any award granted under the 2011 Share Incentive Plan will have a four-year vesting schedule, such that 50% of the award will vest on the second anniversary of the commencement date and 25% of the award will vest on each of the third and fourth anniversaries of the commencement date.

As of March 1, 2026, options to purchase 453,000 ordinary shares were outstanding and options for 2,701,790 ordinary shares had been exercised. The options vest over four years, primarily commencing on the date of grant. Generally, options not previously exercised will expire five years after they are granted. Our board of directors elected the capital gains treatment afforded under Section 102 of the Israeli Income Tax Ordinance [New Version], 1961, or the Tax Ordinance, in respect of options and ordinary shares awarded to our Israeli employees under our option or share incentive plans after January 1, 2003. Accordingly, gains derived from options awarded to our Israeli employees and held by a trustee for two years from the date of grant, will generally be taxed as capital gains at a rate of 25%, and we will generally not be entitled to recognize an expense for the award of such options.

Item 7. Major Shareholders and Related Party Transactions**A. Major Shareholders**

The following table sets forth certain information regarding the beneficial ownership of our ordinary shares as of March 1, 2026, unless otherwise specified, by each person who is known to own beneficially 5% or more of the outstanding ordinary shares.

Name of Beneficial Owners	Total Shares Beneficially Owned	Percentage of Ordinary Shares⁽¹⁾
Monica Iancu	3,121,527 ⁽²⁾	15.5%
Mordechai Rapaport	1,325,000 ⁽³⁾	6.6%
Morgan Stanley and affiliates	1,091,018 ⁽⁴⁾	5.4%

(1) Based on 20,185,166 ordinary shares outstanding as of March 1, 2026.

(2) Based on a Schedule 13G/A filed with the SEC on January 29, 2024.

(3) Based on a Schedule 13G filed with the SEC on February 3, 2025. Substantially all of these shares are held by A-6684 Ltd. and other entities under the control of Mr. Rapaport.

(4) Based on a Schedule 13G/A filed with the SEC on February 8, 2024.

As of March 1, 2026, there were six holders of record of our ordinary shares in the United States who collectively held less than 1% of our outstanding ordinary shares. In addition to this amount, there were also 17,747,968 shares held by the Depository Trust Company in the United States. The number of record holders in the United States is not representative of the number of beneficial holders nor is it representative of where such beneficial holders are resident since many of these ordinary shares were held of record by brokers or other nominees.

As of March 1, 2026, Ms. Iancu had beneficial ownership of 3,121,527 ordinary shares, constituting 15.5% of our outstanding shares.

B. Related Party Transactions

None.

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information**A. Consolidated Statements and Other Financial Information****Financial Statements**

See Item 18.

Export Sales

We conduct our sales activities primarily directly, by our sales force located in the MIND offices in Israel and in the German subsidiaries. For information regarding our revenues by geographic market, see Item 5, "Operating and Financial Review and Prospects."

Legal Proceedings

We are, or may be, from time to time named as a defendant in certain routine litigation incidental to our business. However, we are currently not a party to any legal proceedings which may have or have had in the recent past significant effects on our financial position or profitability.

Dividend Policy

Until and including 2025, our dividend policy was to distribute a cash dividend once in each calendar year, in the amount approximately equal to our EBITDA plus financial income (expenses), minus taxes on income. Each dividend under the policy was subject to board approval and the requirements of applicable law. In 2025, our board of directors decided to discontinue dividend distributions.

B. Significant Changes

Except as otherwise disclosed in this annual report, no significant change has occurred since December 31, 2025.

Item 9. The Offer and Listing

A. Offer and Listing Details

Our ordinary shares have been listed on the Nasdaq Global Market under the symbol MNDO since August 8, 2000.

B. Plan of Distribution

Not applicable.

C. Markets

Our ordinary shares are quoted on the Nasdaq Global Market under the symbol MNDO.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10. Additional Information

A. Share Capital

Not applicable.

B. Memorandum and Articles of Associations

Objects and Purposes

We were first registered under Israeli law on April 6, 1995 as a private company, and on August 8, 2000, became a public company. Our registration number with the Israeli registrar of companies is 51-213448-7. The full details of our objects and purposes can be found in Section 2 of our Memorandum of Association filed with the Israeli registrar of companies. Among the objects and purposes stipulated are the following: "to engage in any kind of commercial and/or productive business and to engage in any action or endeavor which the company's managers consider to be beneficial to the company."

Transfer of Shares and Notices

Fully paid ordinary shares are issued in registered form and may be freely transferred pursuant to our articles of association unless such transfer is restricted or prohibited by another instrument. Unless otherwise prescribed by law, we will provide at least 21 calendar days' prior notice of any general shareholders meeting.

Election of Directors

The ordinary shares do not have cumulative voting rights in the election of directors. Thus, the holders of ordinary shares conferring more than 50% of the voting power have the power to elect all the directors, to the exclusion of the remaining shareholders. Our board of directors is divided into three classes of directors serving staggered three-year terms.

Dividend and Liquidation Rights

Dividends on our ordinary shares may be paid only out of profits and other surplus, as defined in the Companies Law, as of our most recent financial statements or as accrued over a period of two years, whichever is higher, unless otherwise approved by a court order. Our board of directors is authorized to declare dividends, provided that there is no reasonable concern that the dividend will prevent us from satisfying our existing and foreseeable obligations as they become due. In the event of our liquidation, after satisfaction of liabilities to creditors, our assets will be distributed to the holders of ordinary shares in proportion to their respective holdings. Dividend or liquidation right may be affected by the grant of preferential dividends or distribution rights to the holders of a class of shares with preferential rights that may be authorized in the future.

Voting, Shareholders' Meetings and Resolutions

Holders of ordinary shares have one vote for each ordinary share held on all matters submitted to a vote of shareholders.

These voting rights may be affected by the grant of any special voting rights to the holders of a class of shares with preferential rights that may be authorized in the future.

We have two types of general shareholders meetings: the annual general meetings and extraordinary general meetings. These meetings may be held either in Israel or in any other place the board of directors determines. An annual general meeting must be held in each calendar year, but not more than 15 months after the last annual general meeting. Our board of directors may convene an extraordinary meeting, from time to time, at its discretion and is required to do so upon the request of shareholders holding at least 5% of our ordinary shares.

The quorum required for an ordinary meeting of shareholders consists of at least two shareholders present in person or by proxy who hold or represent between them at least 25% of the outstanding voting shares, unless otherwise required by applicable rules. Nasdaq generally requires a quorum of 33-1/3%, but we have an exemption from that requirement and instead follow the generally accepted business practice for companies in Israel. A meeting adjourned for lack of a quorum generally is adjourned to the same day in the following week at the same time and place or any time and place as the Chairman may designate with the consent of the shareholders voting on the matter adjourned. At such reconvened meeting, the required quorum consists of any two members present in person or by proxy, unless otherwise required by applicable rules.

Under the Companies Law, unless otherwise provided in the articles of association or applicable law, all resolutions of the shareholders require a simple majority of the shares present, in person or by proxy, and voting on the matter. However, our articles of association require approval of 75% of the shares present and voting to remove directors or change the structure of our staggered board of directors.

We file annual reports on Form 20-F electronically with the SEC and post a copy on our website.

Duties of Shareholders

Under the Companies Law, each and every shareholder has a duty to act in good faith in exercising his rights and fulfilling his obligations towards the company and other shareholders and to refrain from abusing his power in the company, such as in voting in the general meeting of shareholders on the following matters:

- any amendment to the articles of association;
- an increase of the company's authorized share capital;
- a merger; or
- approval of certain actions and transactions which require shareholder approval.

In addition, each and every shareholder has the general duty to refrain from depriving rights of other shareholders. Furthermore, any controlling shareholder, any shareholder who knows that it possesses the power to determine the outcome of a shareholder vote and any shareholder that, pursuant to the provisions of the articles of association, has the power to appoint or to prevent the appointment of an office holder in the company or any other power toward the company is under a duty to act in fairness towards the company. The Companies Law does not describe the substance of this duty of fairness. These various shareholder duties, which typically do not apply to shareholders of U.S. companies, may restrict the ability of a shareholder to act in what the shareholder perceives to be its own best interests.

Restrictions on Non-Israeli Residents

The ownership or voting of our ordinary shares by non-residents of Israel, except with respect to citizens of countries which are in a state of war with Israel, is not restricted in any way by our memorandum of association or articles of association or by the laws of the State of Israel.

Mergers and Acquisitions under Israeli Law

The Companies Law includes provisions that allow a merger transaction and requires that each company that is party to a merger approve the transaction by its board of directors and a vote of the majority of its shares, voting on the proposed merger at a shareholders' meeting. For purposes of the shareholder vote, unless a court rules otherwise, the merger will not be deemed approved if a majority of the shares held by parties other than the other party to the merger, or by any person who holds 25% or more of the shares or the right to appoint 25% or more of the directors of the other party, vote against the merger. Upon the request of a creditor of either party of the proposed merger, the court may delay or prevent the merger if it concludes that there exists a reasonable concern that as a result of the merger, the surviving company will be unable to satisfy the obligations of any of the parties to the merger. In addition, a merger may not be completed unless at least (i) 50 days have passed from the time that a proposal of the merger has been filed by each party with the Israeli Registrar of Companies and (ii) 30 days have passed since the merger was approved by the shareholders of each party.

The Companies Law also provides that an acquisition of shares of public company must be made by means of tender offer if as a result of the acquisition the purchaser would become a 25% or more shareholder of the company and there is no 25% or more shareholder in the company. In addition, an acquisition of shares of a public company must be made by means of a tender offer if as a result of the acquisition the purchaser would become a greater than 45% shareholder of the company and there is greater than 45% shareholder in the company. These requirements do not apply if the acquisition (i) is made in a private placement that received shareholder approval, (ii) was from a 25% shareholder of the company and resulted in the acquirer becoming a 25% shareholder of the company or (iii) was from a greater than 45% shareholder of the company and resulted in the acquirer becoming a greater than 45% shareholder of the company. The tender offer must be extended to all shareholders, but the acquirer is not required to acquire more than 5% of the company's outstanding shares, regardless of how many shares are tendered by shareholders. The tender offer may be consummated only if (i) at least 5% of the company's outstanding shares will be acquired by the offer and (ii) the number of shares tendered in the offer exceeds the number of shares whose holders objected to the offer.

If as a result of an acquisition of shares the acquirer will hold more than 90% of a company's outstanding shares, the Companies Law requires that the acquisition be made by means of a tender offer for all of the outstanding shares. If as a result of a full tender offer the acquirer would own more than 95% of the outstanding shares, then all the shares that the acquirer offered to purchase will be transferred to it. The law provides for appraisal rights if any shareholder files a request in court within six months following the consummation of a full tender offer, although the acquirer may stipulate that any tendering shareholders forfeit their appraisal rights. If as a result of a full tender offer the acquirer would own 95% or less of the outstanding shares, then the acquirer may not acquire shares that will cause his shareholding to exceed 90% of the outstanding shares.

Finally, Israeli tax law treats stock-for-stock acquisitions between an Israeli company and a foreign company less favorably than does U.S. tax law. For example, Israeli tax law subjects a shareholder who exchanges his ordinary shares for shares in another corporation to taxation prior to the sale of the shares received in such stock-for-stock swap.

Modification of Class Rights

Our articles of association provide that the rights attached to any class (unless otherwise provided by the terms of such class), such as voting, rights to dividends and the like, may be varied by a shareholders resolution, subject to the approval of the holders of a majority of the issued shares of that class.

Board of Directors

According to the Companies Law and our articles of association, the oversight of the management of our business is vested in our board of directors. The board of directors may exercise all such powers and may take all such actions that are not specifically granted to our shareholders. As part of its powers, our board of directors may cause the company to borrow or secure payment of any sum or sums of money, at such times and upon such terms and conditions as it thinks fit, including the grants of security interests on all or any part of the property of the company.

A resolution proposed at any meeting of the board of directors shall be deemed adopted if approved by a majority of the directors present and voting on the matter. For additional information, please see Item 6.C, "Board Practices."

Exculpation of Office Holders

Under the Companies Law, an Israeli company may not exempt an office holder from liability for a breach of his duty of loyalty but may exempt in advance an office holder from his liability to the company, in whole or in part, for a breach of his duty of care (except in connection with distributions) provided the articles of association of the company allow it to do so. Our articles allow us to exempt our office holders to the fullest extent permitted by law.

Insurance of Office Holders

Our articles of association provide that, subject to the provisions of the Companies Law, we may enter into a contract for the insurance of the liability of any of our office holders, with respect to an act performed in the capacity of an office holder for:

- a breach of his duty of care to us or to another person;
- a breach of his duty of loyalty to us, provided that the office holder acted in good faith and had reasonable cause to assume that his act would not prejudice our interests; or
- a financial liability imposed upon him in favor of another person.

Indemnification of Office Holders

Our articles of association provide that we may indemnify an office holder against the following obligations and expenses imposed on or incurred by the office holder with respect to an act performed in the capacity of an office holder:

- a financial obligation imposed on him in favor of another person by a court judgment, including a settlement or an arbitrator's award approved by the court; such indemnification may be approved (i) after the liability has been incurred or (ii) in advance, provided that our undertaking to indemnify is limited to events that our board of directors believes are foreseeable in light of our actual operations at the time of providing the undertaking and to a sum or criterion that our board of directors determines to be reasonable under the circumstances;
- reasonable litigation expenses, including attorneys' fees, expended by the office holder as a result of an investigation or proceeding instituted against him by a competent authority, provided that such investigation or proceeding concluded without the filing of an indictment against him and either (A) concluded without the imposition of any financial liability in lieu of criminal proceedings or (B) concluded with the imposition of a financial liability in lieu of criminal proceedings but relates to a criminal offense that does not require proof of criminal intent or in connection with a financial sanction;
- reasonable litigation expenses, including attorneys' fees, expended by the office holder or charged to him by a court in connection with: (A) proceedings we institute against him or instituted on our behalf or by another person; or (B) a criminal charge from which he was acquitted; or (C) a criminal proceeding in which he was convicted of an offense that does not require proof of criminal intent; and
- a financial obligation imposed upon an office holder and reasonable litigation expenses, including attorney fees, expended by the office holder as a result of an administrative proceeding instituted against him. Without derogating from the generality of the foregoing, such obligation or expense will include a payment which the office holder is obligated to make to an injured party as set forth in Section 52(54)(a)(1)(a) of the Securities Law and expenses that the office holder incurred in connection with a proceeding under Chapters H'3, H'4 or I'1 of the Securities Law, including reasonable legal expenses, which term includes attorney fees.

Limitations on Exculpation, Insurance and Indemnification

The Companies Law provides that a company may not exculpate or indemnify an office holder, or enter into an insurance contract, which would provide coverage for any monetary liability incurred as a result of any of the following:

- a breach by the office holder of his duty of loyalty unless, with respect to indemnification or insurance coverage, the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company;
- a breach by the office holder of his duty of care if the breach was done intentionally or recklessly;
- any act or omission done with the intent to derive an illegal personal benefit; or
- any fine levied against the office holder.

In addition, under the Companies Law, indemnification of, and procurement of insurance coverage for, our office holders must be approved by our audit committee and our board of directors and, if the beneficiary is a director, by our shareholders.

We have agreed to exempt from liability and indemnify our office holders to the fullest extent permitted under the Companies Law. We currently maintain directors and officers liability insurance for the benefit of our office holders.

C. Material Contracts

None.

D. Exchange Controls

There are currently no Israeli currency control restrictions on payments of dividends or other distributions with respect to our ordinary shares or the proceeds from the sale of the shares, except for the obligation of Israeli residents to file reports with the Bank of Israel regarding certain transactions. However, legislation remains in effect, pursuant to which currency controls can be imposed by administrative action at any time.

E. Taxation

Israeli Tax Considerations

The following is a summary of the current tax structure applicable to companies in Israel, with special reference to its effect on us. Note that this tax structure and any resulting benefit may not apply for any income derived by our foreign subsidiaries, which subsidiaries may be taxed according to tax laws applicable to their country of residence. The following also contains a discussion of the material Israeli tax consequences to persons purchasing our ordinary shares, although it may not be relevant to a particular investor in light of his or her personal investment circumstances or to some types of investors who are subject to special treatment under Israeli law. To the extent that the discussion is based on tax legislation, which has not been subject to judicial or administrative interpretation, we cannot assure you that the tax authorities or courts will accept the views expressed in the discussion in question.

Prospective purchasers of our ordinary shares should consult their own tax advisors as to the United States, Israeli or other tax consequences of the purchase, ownership and disposition of ordinary shares, including, in particular, the effect of any foreign, state or local taxes.

General Corporate Tax Structure

The general rate of corporate tax in Israel to which Israeli companies were subject is 23% for the 2024 and 2025 tax years. The general rate of capital gains tax in Israel to which Israeli companies are subject is the corporate tax rate. However, the effective tax rate payable by a company which derives income from a "Preferred Technological Enterprise" (all as defined below) may be considerably less, as further discussed below.

Law for the Encouragement of Capital Investments, 1959

General

Please see discussion below regarding reforms of the Investments Law that came into effect in 2017.

The 2017 amendment ("Preferred Technological Enterprises")

Amendment 73 to the Investments Law, which came into effect on January 1, 2017, provides a new tax incentive regime. Regulations have been promulgated to implement the "Nexus Principles," based on OECD guidelines published as part of the Base Erosion and Profit Shifting (BEPS) project.

The new incentive regime applies to "Preferred Technological Enterprises" that meet certain conditions, including all of the following:

- The company's average research and development expenses in the three years prior to the current tax year must be greater than or equal to 7% of its total revenue or exceed NIS 75 million (approximately \$20 million) per year; and
- The company must satisfy one of the following conditions:
 - at least 20% of the workforce (or at least 200 employees) are employed in research and development;
 - a venture capital investment in an amount approximately equivalent to at least NIS 8 million was previously made in the company, and the company has not changed its business following such investment; or

- growth in sales or workforce by an average of 25% over the three years preceding the applicable tax year, and the company's total revenue was at least NIS 10 million in those three tax years or at least 50 employees are employed by the company over the three years preceding the applicable tax year.
- The total revenue in the tax year of the group that the company is part of does not exceed NIS 10 billion.
- The company is a “competitive enterprise”, i.e. at least 25% of its turnover is exported to a market with at least 14 million residents (with such threshold being updated annually) or the company income from a certain market does not exceed 75% of its turnover in the tax year.

A Preferred Technological Enterprises will be subject to a corporate tax rate of 12% unless it is located in a specified development zone, in which case the rate will be 7.5%, all with respect to the portion of income derived from eligible intellectual property developed in Israel. In addition, a Preferred Technological Enterprises will enjoy a reduced corporate tax rate of 12% on capital gain derived from the sale of certain “Benefitted Intangible Assets” (as defined in the Investments Law) to a related foreign company if the Benefitted Intangible Assets were acquired from a foreign company on or after January 1, 2017 for at least NIS 200 million and the sale receives prior approval from the Israeli Innovation Authority. The tax on dividends from such enterprises will be 4% for dividends paid to a foreign parent company if it holds at least 90% of the shares of the distributing company and other conditions are met. For other dividend distributions, the tax rate will be 20% (with an exemption from such withholding tax applying to dividends paid to an Israeli company). The above rates may be reduced by an applicable double tax treaty, subject to the receipt in advance of a valid certificate from the Israel Tax Authority allowing for a reduced tax rate.

On February 18, 2018, the Israel Tax Authority issued a tax ruling granting us “Preferred Technological Enterprise” status, subject to the conditions and terms of the tax ruling. The grant of the status means that starting January 1, 2017, we are subject to a reduced Israeli corporate tax rate of 7.5% on any future taxable “technological income.” The tax ruling was in force for five years through the 2021 tax year. On January 16, 2022, the tax ruling was extended by the Israel Tax Authority for an additional period of five years through the 2026 tax year.

Dividends Taxation

When dividends are distributed from the Preferred Technological Enterprise, they are generally considered to be attributable to the entire enterprise and their effective tax rate is a result of a weighted combination of the applicable tax rates. Further information with regard to taxation of dividends can be found in Note 7 of our Consolidated Financial Statements included elsewhere in this annual report.

We paid dividends to our shareholders in the amount of \$4.8 million in 2023, \$4.9 million in 2024 and \$4.5 million in 2025.

Law for the Encouragement of Industry (Taxes), 1969

Under the Law for the Encouragement of Industry (Taxes), 1969, or the Industry Encouragement Law, a company qualifies as an “Industrial Company” if it is resident in Israel and at least 90% of its income in a given tax year, determined in NIS, exclusive of income from certain government loans, is derived from Industrial Enterprises owned by that company. An “Industrial Enterprise” is defined as an enterprise whose major activity in a particular tax year is industrial production activity.

Industrial Companies qualify (based on tax regulations) for accelerated depreciation rates for machinery, equipment and buildings used by an Industrial Enterprise.

Pursuant to the Industry Encouragement Law, an Industrial Company is also entitled to amortize the purchase price of know-how and patents over a period of eight years beginning with the year in which such rights were first used.

In addition, an Industrial Company is entitled to deduct over a three-year period expenses involved with the issuance and listing of shares on a stock exchange and has the right, under certain conditions, to elect to file a consolidated tax return with related Israeli Industrial Companies that satisfy conditions set forth in the law.

Eligibility for the benefits under the law is not subject to receipt of prior approval from any governmental authority. We believe that we currently qualify as an Industrial Company within the definition of the Industry Encouragement Law. However, the definition may be amended from time to time and the Israeli tax authorities, which reassess our qualifications annually, may determine that we no longer qualify as an Industrial Company. As a result of either of the foregoing, the benefits described above might not be available in the future.

Tax benefits and grants for research and development

Israeli tax law allows, under certain conditions, a tax deduction for expenditures related to scientific research and development projects, including capital expenditures, in the year in which they are incurred. Expenditures are deemed related to scientific research and development projects if:

- the expenditures are approved by the relevant Israeli government ministry, which depends on the field of research;
- the research and development must be for the promotion of the company; and
- the research and development is carried out by or on behalf of the company seeking such tax deduction.

The amount of such deductible expenses is reduced by the sum of any funds received through government grants for the finance of such scientific research and development projects. Under these research and development deduction rules, no deduction is allowed for any expense invested in an asset depreciable under the general depreciation rules of the Tax Ordinance. Expenditures that do not qualify for this special deduction are deductible in equal amounts over three years.

Capital Gains Tax on the Sale of our Ordinary Shares

General

Israeli law generally imposes a capital gains tax on the sale of any capital assets by residents of Israel, as defined for Israeli tax purposes, and on the sale of assets located in Israel, including shares in Israeli companies, by non-residents of Israel, unless a specific exemption is available or unless a tax treaty between Israel and the shareholder's country of residence provides otherwise. The law distinguishes between real gain and inflationary surplus. The inflationary surplus is equal to the increase in the purchase price of the relevant asset attributable to the increase in the Israeli consumer price index or, in certain circumstances, a foreign currency exchange rate, between the date of purchase and the date of sale. The real gain is the excess of the total capital gain over the inflationary surplus.

Israeli Residents

Generally, the tax rate applicable to capital gains derived from the sale of shares, whether listed on a stock market or not, is 25% for Israeli individuals, unless such shareholder claims a deduction for financing expenses in connection with such shares, in which case the gain will generally be taxed at a rate of 30%. Additionally, if such shareholder is considered a "significant shareholder" at any time during the 12-month period preceding such sale, *i.e.*, such shareholder holds directly or indirectly, including with others, at least 10% of any "means of control" in the company, the tax rate will be 30%. "Means of control" generally include the right to vote, receive profits, nominate a director or an executive officer, receive assets upon liquidation, or order someone who holds any of the aforesaid rights on how to exercise these rights, regardless of the source of such rights. However, the foregoing tax rates will not apply to individuals: (i) who are dealers in securities; or (ii) who acquired their shares prior to an initial public offering (that may be subject to a different tax arrangement). Israeli companies are subject to the corporate tax rate on capital gains derived from the sale of listed shares.

Non-Residents of Israel

Non-Israeli residents are exempt from Israeli capital gains tax on any gains derived from the sale of shares publicly traded on a recognized stock market outside of Israel, provided that such capital gains are not derived from a permanent establishment in Israel and that such shareholders did not acquire their shares prior to the issuer's initial public offering. However, non-Israeli entities will not be entitled to such exemption if Israeli residents (i) have a controlling interest of more than 25% in such non-Israeli entity, or (ii) are the beneficiaries of or are entitled to 25% or more of the revenues or profits of such non-Israeli entity, whether directly or indirectly.

Pursuant to the Convention between the Government of the United States of America and the Government of Israel with Respect to Taxes on Income, as amended, or the U.S.- Israel Tax Treaty, the sale, exchange or disposition of our ordinary shares by a person who qualifies as a resident of the United States and is entitled to claim the benefits afforded to a resident, or a Treaty U.S. Resident, will not be subject to Israeli capital gains tax unless (i) the Treaty U.S. Resident held, directly or indirectly, shares representing 10% or more of our voting power during any part of the 12-month period preceding the sale, exchange or disposition, (ii) the capital gains from such sale can be allocated to a permanent establishment in Israel or (iii) such Treaty U.S. Resident is an individual and was present in Israel for 183 days or more during the relevant taxable year. A sale, exchange or disposition of our ordinary shares by a Treaty U.S. Resident who does not meet the above conditions will be subject to Israeli capital gains tax, to the extent applicable. However, under the U.S.-Israel Tax Treaty, this Treaty U.S. Resident would be permitted to claim a credit for such taxes against U.S. federal income tax imposed with respect to such sale, exchange or disposition, subject to the limitations in U.S. laws applicable to foreign tax credits. The U.S.-Israel Tax Treaty does not relate to state or local taxes.

Regardless of whether non-Israeli shareholders may be liable for Israeli capital gains tax on the sale of our ordinary shares, the payment of the consideration for such sale may be subject to withholding of Israeli tax at source and holders of our ordinary shares may be required to demonstrate that they are exempt from tax on their capital gains in order to avoid withholding at source at the time of sale. Specifically, the Israel Tax Authority may require shareholders who are not liable for Israeli capital gains tax on such a sale to sign a declaration on a form specified by the Israel Tax Authority, provide documents (including, for example, a certificate of residency) or obtain a specific exemption from the Israel Tax Authority to confirm their status as non-Israeli residents. In the absence of such declarations or exemptions, the Israel Tax Authority may require the purchaser of the shares to withhold tax at source.

A non-resident of Israel who realizes capital gains derived from the sale of our ordinary shares or that or receives dividend income, from which all required tax was withheld at the source, in practice, is exempt from the duty to file tax returns in Israel with respect to such income, provided that (i) such income was not derived from a business conducted in Israel by the taxpayer; (ii) the taxpayer has no other taxable sources of income in Israel; and (iii) the taxpayer is not liable to surtax (as described below under "Surtax").

Dividend Taxation

Income Taxes on Dividends Distributed by the Company to Israeli Residents

Israeli resident individuals are generally subject to Israeli income tax on the receipt of dividends paid on our ordinary shares, other than bonus shares (share dividends) or stock dividends. The tax rate applicable to such dividends is 25% (or 30% for a shareholder that is considered a significant shareholder at any time during the 12-month period preceding such distribution). Individuals may also be required to pay surtax with respect to dividends received, as further explained below. Dividends paid out of profits sourced from ordinary income are subject to withholding tax at the rate of 25% if the shares are registered with a nominee company (whether the recipient is a significant shareholder or not). Dividends paid from income derived from our Preferred Enterprise (accrued from the 2014 tax year and onwards) and Preferred Technological Enterprise are subject to withholding tax at the rate of 20%. If the recipient of the dividend is an Israeli resident corporation, such dividend income will be exempt from tax, provided the income from which such dividend is distributed was derived or accrued within Israel and was received directly or indirectly from another corporation that is subject to Israeli corporate tax. We cannot assure that we will designate the profits that are being distributed in a way that will reduce shareholders' tax liability.

Income Taxes on Dividends Distributed by the Company to Non-Israeli Residents

Non-Israeli residents (whether individuals or corporations) are generally subject to Israeli income tax on the receipt of dividends paid on our shares at the rate of 25% (or 30% for a shareholder that is considered a significant shareholder at any time during the 12-month period preceding such distribution), which tax will be withheld at source, unless relief is provided in an applicable tax treaty between Israel and the shareholder's country of residence. Such dividends are generally subject to Israeli withholding tax at a rate of 25%, so long as the shares are registered with a nominee company (whether the recipient is a substantial shareholder or not). However, a reduced tax rate may be provided under the Investments Law (20% with respect to Preferred Enterprise or a Preferred Technological Enterprise income), as described above, or under an applicable tax treaty.

Generally, under the U.S-Israel Tax Treaty the maximum rate of withholding tax on dividends paid to a shareholder who is a resident of the United States (as defined in the U.S. – Israel Tax Treaty) will be 25%. However, when a U.S. tax resident corporation is the recipient of the dividend, the withholding tax rate on a dividend out of regular (non-Preferred Technological Enterprise) profits may be reduced to 12.5% under the U.S-Israel Tax Treaty, where the following conditions are met:

- (a) the recipient corporation owns at least 10% of the outstanding voting rights of the Company for all of the period preceding the dividend during the Company's current and prior taxable year; and
- (b) generally not more than 25% of the gross income of the paying corporation for its prior tax year consists of certain interest and dividend income.

Dividends paid to such U.S. corporation from income derived during any period for which the Israeli company is entitled to the reduced tax rate applicable to a Preferred Technological Enterprise will be subject to a 15% tax rate, provided that the conditions in clauses (a) and (b) above are met. If the dividend is attributable partly to income derived from a Preferred Technological Enterprise, and partly to other sources of income, the withholding rate will be a blended rate reflecting the relative portions of the two types of income. The aforementioned rates under the U.S-Israel Tax Treaty will not apply if the dividend income was derived through or attributed to a permanent establishment of the U.S. tax resident in Israel. Application for this reduced tax rate requires appropriate documentation presented to, and specific instruction received from, the Israel Tax Authority. If the dividend is attributable partly to income derived from income which was subject to tax under the Investment Law, and partly to other sources of income, the withholding rate will be a blended rate reflecting the relative portions of the two types of income. We cannot assure you that we will designate the profits that we may distribute in a way that will reduce shareholders' tax liability.

Surtax

Subject to the provisions of any applicable tax treaty, individuals who are subject to tax in Israel (whether or not any such individual is an Israeli resident) are also subject to a surtax at the rate of 3% on annual income (including, but not limited to, dividends, interest and capital gains) exceeding NIS 721,560 for 2026, which amount is linked to the annual change in the Israeli consumer price index. In addition, effective January 1, 2025, an additional 2% surtax will be imposed on capital-sourced income (defined as income from any source other than employment income, business income or income from "personal effort") to the extent that the individual's capital sourced income exceeds NIS 721,560. This additional surtax applies, among other things, to income from capital gains, dividends, interest, rental income and the sale of real property.

U.S. Federal Income Taxation

Subject to the limitations described in the next paragraph, the following discussion summarizes the material U.S. federal income tax consequences to a “U.S. Holder” arising from the purchase, ownership and sale of the Ordinary Shares. For this purpose, a “U.S. Holder” is a holder of Ordinary Shares that is: (1) an individual citizen or resident of the United States, including an alien individual who is a lawful permanent resident of the United States or meets the substantial presence residency test under U.S. federal income tax laws; (2) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) or a partnership (other than a partnership that is not treated as a U.S. person under any applicable U.S. Treasury Regulations) created or organized in or under the laws of the United States or any political subdivision thereof; (3) an estate, the income of which is subject to U.S. federal income tax regardless of source; (4) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have authority to control all substantial decisions of the trust; (5) a trust that has a valid election in effect to be treated as a U.S. person to the extent provided in U.S. Treasury regulations; or (6) any person otherwise subject to U.S. federal income tax on a net income basis in respect of the Ordinary Shares, if such status as a U.S. Holder is not overridden pursuant to the provisions of an applicable tax treaty.

This summary is for general information purposes only and does not purport to be a comprehensive description of all of the U.S. federal income tax considerations that may be relevant to a decision to purchase or hold our Ordinary Shares. This summary generally considers only U.S. Holders that will own our Ordinary Shares as capital assets. Except to the limited extent discussed below, this summary does not consider the U.S. federal tax consequences to a person that is not a U.S. Holder, nor does it describe the rules applicable to determine a taxpayer’s status as a U.S. Holder. This summary is based on the provisions of the Internal Revenue Code of 1986, as amended, or the Code, final, temporary and proposed U.S. Treasury Regulations promulgated thereunder, administrative and judicial interpretations thereof, and the U.S./Israel Income Tax Treaty, all as in effect as of the date hereof and all of which are subject to change, possibly on a retroactive basis, and all of which are open to differing interpretations. The Company will not seek a ruling from the U.S. Internal Revenue Service, or the IRS, with regard to the U.S. federal income tax treatment of an investment in our Ordinary Shares by U.S. Holders and, therefore, can provide no assurances that the IRS will agree with the conclusions set forth below.

This discussion does not address all of the aspects of U.S. federal income taxation that may be relevant to a particular shareholder based on such shareholder’s particular circumstances and in particular does not discuss any estate, gift, generation-skipping, transfer, state, local or foreign tax considerations. In addition, this discussion does not address the U.S. federal income tax treatment of a U.S. Holder who is: (1) a bank, life insurance company, regulated investment company, or other financial institution or “financial services entity”; (2) a broker or dealer in securities or foreign currency; (3) a person who acquired our Ordinary Shares in connection with employment or other performance of services; (4) a U.S. Holder that is subject to the U.S. alternative minimum tax; (5) a U.S. Holder that holds our Ordinary Shares as a hedge or as part of a hedging, straddle, conversion or constructive sale transaction or other risk-reduction transaction for U.S. federal income tax purposes; (6) a tax-exempt entity; (7) real estate investment trusts; (8) a U.S. Holder that expatriates out of the United States or a former long-term resident of the United States; or (9) a person having a functional currency other than the dollar. This discussion does not address the U.S. federal income tax treatment of a U.S. Holder that owns, directly or constructively, at any time, Ordinary Shares representing 10% or more of our voting power. Additionally, the U.S. federal income tax treatment of persons who hold Ordinary Shares through a partnership or other pass-through entity are not considered.

You are encouraged to consult your own tax advisor with respect to the specific U.S. federal and state income tax consequences to you of purchasing, holding or disposing of our Ordinary Shares, including the effects of applicable state, local, foreign or other tax laws and possible changes in the tax laws.

Distributions on Ordinary Shares

Subject to the discussion under the heading “Passive Foreign Investment Companies” below, a U.S. Holder will be required to include in gross income as ordinary income the amount of any distribution paid on Ordinary Shares (including the amount of any Israeli tax withheld on the date of the distribution), to the extent that such distribution does not exceed our current and accumulated earnings and profits, as determined for U.S. federal income tax purposes. The amount of a distribution which exceeds our earnings and profits will be treated first as a non-taxable return of capital, reducing the U.S. Holder’s tax basis for the Ordinary Shares to the extent thereof, and then capital gain. Corporate holders generally will not be allowed a deduction for dividends received. For noncorporate U.S. Holders, to the extent that their total adjusted income does not exceed applicable thresholds, the maximum federal income tax rate for “qualified dividend income” and long-term capital gains is generally 15%. For those noncorporate U.S. Holders whose total adjusted income exceeds such income thresholds, the maximum federal income tax rate for “qualified dividend income” and long-term capital gains is generally 20%. For this purpose, “qualified dividend income” means, *among other things*, dividends received from a “qualified foreign corporation.” A “qualified foreign corporation” is a corporation that is entitled to the benefits of a comprehensive tax treaty with the United States which includes an exchange of information program. The IRS has stated that the Israel/U.S. Tax Treaty satisfies this requirement and we believe we are eligible for the benefits of that treaty.

In addition, our dividends will be qualified dividend income if our Ordinary Shares are readily tradable on Nasdaq or another established securities market in the United States. Dividends will not qualify for the preferential rate if we are treated, in the year the dividend is paid or in the prior year, as a passive foreign investment company, or PFIC. A U.S. Holder will not be entitled to the preferential rate: (1) if the U.S. Holder has not held our Ordinary Shares or ADRs for at least 61 days of the 121-day period beginning on the date which is 60 days before the ex-dividend date, or (2) to the extent the U.S. Holder is under an obligation to make related payments on substantially similar property. Any days during which the U.S. Holder has diminished its risk of loss on our Ordinary Shares are not counted towards meeting the 61-day holding period. Finally, U.S. Holders who elect to treat the dividend income as “investment income” pursuant to Code section 163(d)(4) will not be eligible for the preferential rate of taxation.

The amount of a distribution with respect to our Ordinary Shares will be measured by the amount of the fair market value of any property distributed, and for U.S. federal income tax purposes, the amount of any Israeli taxes withheld therefrom. (See discussion above under “Israeli Tax Considerations - Dividend Taxation.”) Cash distributions paid by us in NIS will be included in the income of U.S. Holders at a dollar amount based upon the spot rate of exchange in effect on the date the dividend is includible in the income of the U.S. Holder, and U.S. Holders will have a tax basis in such NIS for U.S. federal income tax purposes equal to such dollar value. If the U.S. Holder subsequently converts the NIS, any subsequent gain or loss in respect of such NIS arising from exchange rate fluctuations will be U.S. source ordinary exchange gain or loss.

Distributions paid by us will generally be foreign source income for U.S. foreign tax credit purposes. Subject to the limitations set forth in the Code, U.S. Holders may elect to claim a foreign tax credit against their U.S. income tax liability for Israeli income tax withheld from distributions received in respect of the Ordinary Shares. In general, these rules limit the amount allowable as a foreign tax credit in any year to the amount of regular U.S. tax for the year attributable to foreign source taxable income. This limitation on the use of foreign tax credits generally will not apply to an electing individual U.S. Holder whose creditable foreign taxes during the year do not exceed \$300, or \$600 for joint filers, if such individual's gross income for the taxable year from non-U.S. sources consists solely of certain passive income. A U.S. Holder will be denied a foreign tax credit with respect to Israeli income tax withheld from dividends received with respect to the Ordinary Shares if such U.S. Holder has not held the Ordinary Shares for at least 16 days out of the 31-day period beginning on the date that is 15 days before the ex-dividend date or to the extent that such U.S. Holder is under an obligation to make certain related payments with respect to substantially similar or related property. Any day during which a U.S. Holder has substantially diminished his or her risk of loss with respect to the Ordinary Shares will not count toward meeting the 16-day holding period. A U.S. Holder will also be denied a foreign tax credit if the U.S. Holder holds the Ordinary Shares in an arrangement in which the U.S. Holder's reasonably expected economic profit is insubstantial compared to the foreign taxes expected to be paid or accrued. The rules relating to the determination of the U.S. foreign tax credit are complex, and U.S. Holders should consult with their own tax advisors to determine whether, and to what extent, they are entitled to such credit. U.S. Holders that do not elect to claim a foreign tax credit may instead claim a deduction for Israeli income taxes withheld, provided such U.S. Holders itemize their deductions.

Disposition of Shares

Except as provided under the PFIC rules described below, upon the sale, exchange or other disposition of our Ordinary Shares, a U.S. Holder will recognize capital gain or loss in an amount equal to the difference between such U.S. Holder's tax basis in the sold Ordinary Shares and the amount realized on the disposition of such Ordinary Shares (or its dollar equivalent determined by reference to the spot rate of exchange on the date of disposition, if the amount realized is denominated in a foreign currency). The gain or loss realized on the sale or exchange or other disposition of Ordinary Shares will be long-term capital gain or loss if the U.S. Holder has a holding period of more than one year at the time of the disposition.

In general, gain realized by a U.S. Holder on a sale, exchange or other disposition of Ordinary Shares will generally be treated as U.S. source income for U.S. foreign tax credit purposes. A loss realized by a U.S. Holder on the sale, exchange or other disposition of Ordinary Shares is generally allocated to U.S. source income. However, U.S. Treasury Regulations require such loss to be allocated to foreign source income to the extent specified dividends were received by the taxpayer within the 24-month period preceding the date on which the taxpayer recognized the loss. The deductibility of a loss realized on the sale, exchange or other disposition of Ordinary Shares is subject to limitations.

Tax on Net Investment Income

U.S. Holders who are individuals, estates or trusts will generally be required to pay 3.8% tax on their net investment income (including dividends on and gains from the sale or other disposition of our Ordinary Shares), or in the case of estates and trusts on their net investment income that is not distributed. In each case, the 3.8% Medicare tax applies only to the extent the U.S. Holder's total adjusted income exceeds applicable thresholds.

Passive Foreign Investment Companies

Special U.S. federal income tax laws apply to a U.S. Holder who owns shares of a corporation that was (at any time during the U.S. Holder's holding period) a PFIC. We would be treated as a PFIC for U.S. federal income tax purposes for any tax year if, in such tax year, either:

- 75% or more of our gross income (including our pro rata share of gross income for any company, U.S. or foreign, in which we are considered to own 25% or more of the shares by value), in a taxable year is passive, or the Income Test; or
- At least 50% of our assets, averaged over the year and generally determined based upon value (including our pro rata share of the assets of any company in which we are considered to own 25% or more of the shares by value), in a taxable year are held for the production of, or produce, passive income, or the Asset Test.

For this purpose, passive income generally consists of dividends, interest, rents, royalties, annuities and income from certain commodities transactions and from notional principal contracts. Cash is treated as generating passive income.

If we are or become a PFIC, each U.S. Holder who has not elected to treat us as a qualified electing fund by making a "QEF election", or who has not elected to mark the shares to market (as discussed below), would, upon receipt of certain distributions by us and upon disposition of our Ordinary Shares at a gain, be liable to pay U.S. federal income tax at the then prevailing highest tax rates on ordinary income plus interest on such tax, as if the distribution or gain had been recognized ratably over the taxpayer's holding period for the Ordinary Shares. In addition, when shares of a PFIC are acquired by reason of death from a decedent that was a U.S. Holder, the tax basis of such shares would not receive a step-up to fair market value as of the date of the decedent's death, but instead would be equal to the decedent's basis if lower, unless all gain were recognized by the decedent. Indirect investments in a PFIC may also be subject to special U.S. federal income tax rules.

The PFIC rules would not apply to a U.S. Holder who makes a QEF election for all taxable years that such U.S. Holder has held the Ordinary Shares while we are a PFIC, provided that we comply with specified reporting requirements. Instead, each U.S. Holder who has made such a QEF election is required for each taxable year that we are a PFIC to include in income such U.S. Holder's *pro rata* share of our ordinary earnings as ordinary income and such U.S. Holder's *pro rata* share of our net capital gains as long-term capital gain, regardless of whether we make any distributions of such earnings or gain. In general, a QEF election is effective only if we make available certain required information. The QEF election is made on a shareholder-by-shareholder basis and generally may be revoked only with the consent of the IRS. U.S. Holders should consult with their own tax advisors regarding eligibility, manner and advisability of making a QEF election if we are treated as a PFIC.

A U.S. Holder of PFIC shares which are traded on qualifying public markets, including the Nasdaq, can elect to mark the shares to market annually, recognizing as ordinary income or loss each year an amount equal to the difference as of the close of the taxable year between the fair market value of the PFIC shares and the U.S. Holder's adjusted tax basis in the PFIC shares. Losses are allowed only to the extent of net mark-to-market gain previously included income by the U.S. Holder under the election for prior taxable years.

In light of the complexity of PFIC rules, we cannot assure you that we have not been or are not a PFIC or will avoid becoming a PFIC in the future. U.S. Holders who hold Ordinary Shares during a period when we are a PFIC will be subject to the foregoing rules, even if we cease to be a PFIC, subject to specified exceptions for U.S. Holders who made a QEF or mark-to-market election. U.S. Holders are strongly urged to consult their tax advisors about the PFIC rules, including tax return filing requirements and the eligibility, manner, and consequences to them of making a QEF or mark-to-market election with respect to our Ordinary Shares in the event we that qualify as a PFIC.

Information Reporting and Withholding

A U.S. Holder may be subject to backup withholding (at a rate of 24%) with respect to cash dividends and proceeds from a disposition of Ordinary Shares. In general, back-up withholding will apply only if a U.S. Holder fails to comply with specified identification procedures. Backup withholding will not apply with respect to payments made to designated exempt recipients, such as corporations and tax-exempt organizations. Backup withholding is not an additional tax and may be claimed as a credit against the U.S. federal income tax liability of a U.S. Holder, provided that the required information is timely furnished to the IRS.

Under the Hiring Incentives to Restore Employment Act of 2010, or the HIRE Act, some payments made to "foreign financial institutions" in respect of accounts of U.S. stockholders at such financial institutions may be subject to withholding at a rate of 30%. U.S. Treasury Regulations provide that such withholding will only apply to distributions paid on or after January 1, 2014, and to other "withholdable payments" (including payments of gross proceeds from a sale or other disposition of our Ordinary Shares) made on or after January 1, 2017. U.S. Holders should consult their tax advisors regarding the effect, if any, of the HIRE Act on their ownership and disposition of our Ordinary Shares. See "Non-U.S. Holders of Ordinary Shares."

Non-U.S. Holders of Ordinary Shares

Except as provided below, an individual, corporation, estate or trust that is not a U.S. Holder generally will not be subject to U.S. federal income or withholding tax on the payment of dividends on, and the proceeds from the disposition of, our Ordinary Shares.

A non-U.S. Holder may be subject to U.S. federal income or withholding tax on a dividend paid on our Ordinary Shares or the proceeds from the disposition of our Ordinary Shares if: (1) such item is effectively connected with the conduct by the non-U.S. Holder of a trade or business in the United States or, in the case of a non-U.S. Holder that is a resident of a country which has an income tax treaty with the United States, such item is attributable to a permanent establishment or, in the case of gain realized by an individual non-U.S. Holder, a fixed place of business in the United States; (2) in the case of a disposition of our Ordinary Shares, the individual non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale and other specified conditions are met; (3) the non-U.S. Holder is subject to U.S. federal income tax pursuant to the provisions of the U.S. tax law applicable to U.S. expatriates.

In general, non-U.S. Holders will not be subject to backup withholding with respect to the payment of dividends on our Ordinary Shares if payment is made through a paying agent, or office of a foreign broker outside the United States. However, if payment is made in the United States or by a U.S. related person, non-U.S. Holders may be subject to backup withholding, unless the non-U.S. Holder provides on an applicable Form W-8 (or a substantially similar form) a taxpayer identification number, certifies to its foreign status, or otherwise establishes an exemption. A U.S. related person for these purposes is a person with one or more current relationships with the United States.

The amount of any backup withholding from a payment to a non-U.S. Holder will be allowed as a credit against such holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that the required information is timely furnished to the IRS.

The HIRE Act may impose withholding taxes on some types of payments made to "foreign financial institutions" and some other non-U.S. entities. Under the HIRE Act, the failure to comply with additional certification, information reporting and other specified requirements could result in withholding tax being imposed on payments of dividends and sales proceeds to U.S. Holders that own Ordinary Shares through foreign accounts or foreign intermediaries and specified non-U.S. Holders. The HIRE Act imposes a 30% withholding tax on dividends on, and gross proceeds from the sale or other disposition of, Ordinary Shares paid from the United States to a foreign financial institution or to a foreign nonfinancial entity, unless (1) the foreign financial institution undertakes specified diligence and reporting obligations or (2) the foreign nonfinancial entity either certifies it does not have any substantial U.S. owners or furnishes identifying information regarding each substantial U.S. owner. In addition, if the payee is a foreign financial institution, it generally must enter into an agreement with the U.S. Treasury that requires, among other things, that it undertake to identify accounts held by specified U.S. persons or U.S.-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to other specified account holders. U.S. Treasury Regulations provide that such withholding will only apply to distributions paid on or after January 1, 2014, and to other "withholdable payments" (including payments of gross proceeds from a sale or other disposition of our Ordinary Shares) made on or after January 1, 2017. You should consult your tax advisor regarding the HIRE Act.

F. Dividends and paying agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to certain of the information reporting requirements of the Exchange Act. As a foreign private issuer, we are exempt from the rules and regulations under the Exchange Act prescribing the content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and "short-swing" profit recovery provisions contained in Section 16 of the Exchange Act, with respect to their purchase and sale of our shares. In addition, we are not required to file reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. However, we are required to file with the SEC, within four months after the end of each fiscal year, an annual report on Form 20-F containing financial statements audited by an independent accounting firm. We publish unaudited interim financial information after the end of each quarter. We furnish this quarterly financial information to the SEC under cover of a Form 6-K.

We are subject to the informational requirements of the Exchange Act, applicable to foreign private issuers and fulfill the obligations with respect to such requirements by filing reports with the SEC. You may read and copy any document we file, including any exhibits, with the SEC without charge at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Copies of such material may be obtained by mail from the Public Reference Branch of the SEC at such address, at prescribed rates. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Certain of our SEC filings are also available to the public at the SEC's website at <http://www.sec.gov>, and on our website at <http://www.mindcti.com>.

You may request a copy of our SEC filings, at no cost, by e-mailing to investor@mindcti.com and upon said request copies will be sent by e-mail. A copy of each report submitted in accordance with applicable U.S. law is available for review at our principal executive offices.

I. Subsidiary Information

Not applicable.

J. Annual Report to Security Holders

Not applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

Market risk represents the risk of changes in the value of our financial instruments as a result of fluctuations in foreign currency exchange rates.

The following table sets forth our consolidated balance sheet exposure with respect to change in foreign currency exchange rates as of December 31, 2025.

<u>Currency</u>	<u>Current Monetary Assets (Liabilities)-Net</u> (dollars in thousands)
NIS	310
EURO	1,815
Romanian RON	110
Other non-dollar currencies	13
	<u>2,248</u>

Our annual expenses paid in NIS are approximately \$2.0 million. Accordingly, we estimate that a hypothetical increase of the value of the NIS against the dollar by 1% would result in an increase in our operating expenses by approximately \$20 thousand for the year ended December 31, 2025.

We are exposed to changes in prices of various securities in which we invest. As of December 31, 2025, we held short term investment of \$0.2 million, which are held for trading and presented in the balance sheet as marketable securities. These debt securities are exposed to potential loss in market value due to a decline in debt securities prices. The potential loss in fair value resulting from a 10% adverse change in debt securities prices would be approximately \$0.02 million.

As of December 31, 2025, we did not hold any derivative financial instruments for either trading or non-trading purposes.

Item 12. Description of Securities Other Than Equity Securities

None.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

Not applicable.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 15. Controls and Procedures

Disclosure Controls and Procedures

We performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2025. The evaluation was performed with the participation of our senior management and under the supervision and with the participation of our chief executive officer and chief financial officer. Based on this evaluation, our chief executive officer and chief financial officer have concluded that our disclosure controls and procedures were effective as of December 31, 2025.

Management's Annual Report on Internal Control over Financial Reporting

Our management, including our chief executive officer and chief financial officer, is responsible for establishing and maintaining adequate internal control over our financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Our internal control system was designed to provide reasonable assurance to our management and our board of directors regarding the reliability of financial reporting and the preparation and fair presentation of published financial statements for external purposes in accordance with generally accepted accounting principles. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurances with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may decline.

Our management (with the participation of our chief executive officer and chief financial officer) conducted an evaluation, pursuant to Rule 13a-15(c) under the Exchange Act, of the effectiveness, as of the end of the period covered by this annual report, of our internal control over financial reporting based on the criteria set forth in the *Internal Control-Integrated Framework* (2103 framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the results of this evaluation, management assessed the effectiveness of our internal control over financial reporting as at December 31, 2025 and concluded that our internal control over financial reporting was effective as of December 31, 2025.

Attestation Report of the Registered Public Accounting Firm

Not applicable.

Changes in Financial Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during 2025 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

Item 16. [Reserved]

Item 16A. Audit Committee Financial Expert

Our board of directors has designated Mr. Joseph Tenne as our “audit committee financial expert”, as defined by the SEC rules. Mr. Tenne is an “independent director”, as defined by the Nasdaq listing rules.

Item 16B. Code of Ethics

We have adopted a Code of Ethics that applies to all of our directors, officers and employees, including our principal executive and financial officers. The Code of Ethics is publicly available on our website at www.mindcti.com. If we make any substantive amendments to the Code of Ethics or grant any waiver from a provision of this code to our chief executive officer, principal financial officer, principal accounting officer or controller, we will either disclose the nature of such amendment or waiver on our website or in our annual report.

Item 16C. Principal Accountant Fees and Services

At the annual meeting held on May 6, 2025, our shareholders re-appointed Fahn Kanne & Co. Grant Thornton Israel, certified public accountants in Israel, as our independent auditor until the close of the following year’s annual general meeting.

Fahn Kanne & Co. Grant Thornton Israel earned fees from us for professional services in fiscal years 2025 and 2024, respectively:

	Years Ended December 31,	
	2025	2024
Audit Fees	\$ 120,829	\$ 99,590
Total	\$ 120,829	\$ 99,590

Our audit committee's policy is to approve each audit and non-audit service to be performed by our independent accountant before the accountant is engaged.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

In November 2025, we announced a \$2.4 million repurchase program of our ordinary shares. Through December 31, 2025, we spent an aggregate of \$130 thousand to repurchase 117,998 ordinary shares under our share repurchase program. The following table provides information regarding our repurchases of our ordinary shares for each month included in the period covered by this annual report:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands)
November 17 - 30, 2025	51,339	\$ 1.19	51,339	\$ 2,339
December 2025	66,659	\$ 1.18	66,659	\$ 2,260

Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

We follow the Israeli Companies Law, the relevant provisions of which are summarized in this annual report, rather than comply with the Nasdaq requirement relating to the quorum for shareholder meetings, as described in Item 10.B, "Additional Information – Memorandum and Articles of Association – Voting, Shareholders' Meetings and Resolutions", rather than comply with Nasdaq's shareholder approval requirements with respect to equity compensation plans, as described in Item 6.C, "Directors, Senior Management and Employees – Board Practices–Office Holder Compensation", and rather than comply with the Nasdaq requirements relating to compensation committees (other than the due composition thereof), our audit committee (in its capacity as our compensation committee) fulfills the duties of a compensation committee in accordance with the Companies Law, as described in Item 6.A, "Directors, Senior Management and Employees - Board Practices." In addition, we are exempt from Nasdaq's requirement to send an annual report to shareholders prior to our annual general meetings. Instead, we file annual reports on Form 20-F electronically with the SEC and post a copy on our website.

Item 16H. Mine Safety Disclosure

Not applicable.

Item 16I. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

Item 16J. Insider Trading Policies

We have adopted an Insider Trading Policy which governs the purchase, sale and other dispositions of our securities by our directors, officers, employees and contractors that is reasonably designed to promote compliance with applicable insider trading laws, rules and regulations and the listing standards of Nasdaq. A copy of our Insider Trading Policy is filed as Exhibit 11.2 to this annual report.

Item 16K. Cybersecurity

Risk management and strategy

We prioritize the management of cybersecurity risk and the protection of information across our enterprise by embedding data protection and cybersecurity risk management in our operations. Our processes for assessing, identifying, and managing material risks from cybersecurity threats have been integrated into our overall risk management system and processes.

As a foundation of this approach, we have implemented a layered governance structure to help assess, identify and manage cybersecurity risks. Our privacy and cybersecurity policies encompass incident response procedures, information security and vendor management. In order to help develop these policies and procedures, we monitor the privacy and cybersecurity laws, regulations and guidance applicable to us in the regions where we do business (including Germany and Israel), as well as proposed privacy and cybersecurity laws, regulations, guidance and emerging risks.

We undergo from time to time an external evaluation by cybersecurity consulting firms, including the performance of penetration testing, vulnerability and risk assessment and certification of ISO 27001 framework. With respect to third party service providers, we obligate our vendors to adhere to privacy and cybersecurity measures, and we perform risk assessments of vendors, including their ability to protect data from unauthorized access.

As described in Item 3.D, "Risk Factors," our products and services, including our cloud offerings, rely on the secure processing, storage and transmission of confidential and other information of our customers, as well as our own data. Computer viruses, hackers, employee or vendor misconduct, and other external hazards could expose our information systems and those of our vendors to security breaches, cybersecurity incidents or other disruptions, any of which could materially and adversely affect our business in the form of system disruptions and shutdowns or denials of service or compromise data, including personal or confidential information, of us, our partners or our customers. We have not experienced cybersecurity incidents to date.

The sophistication of cybersecurity threats, including through the use of artificial intelligence, continues to increase, and the controls and preventative actions we take to reduce the risk of cybersecurity incidents and protect our systems, including the regular testing of our cybersecurity incident response plan, may be insufficient. In addition, new technology that could result in greater operational efficiency, such as our use of artificial intelligence, may further expose our computer systems to the risk of cybersecurity incidents.

Governance

As part of our overall risk management approach, we prioritize the identification and management of cybersecurity risk at several levels, including board of directors oversight, executive commitment and employee training. Our audit committee, comprised of independent directors, oversees the board of directors' responsibilities relating to the operational (including IT risks, business continuity and data security) risk affairs of the Company. Our audit committee is informed of such risks through quarterly reports from our Vice President of IT, and the board of directors reviews our processes every six months.

Our VP of IT, who has over 27 years of experience in information technology in our company and is supported by management, oversees the implementation and compliance of our information security standards and mitigation of information security related risks.

At the employee level, we maintain an experienced information technology team who are tasked with implementing our privacy and cybersecurity program and support the VP of IT in carrying out reporting, security and mitigation functions. We also hold employee trainings on privacy and cybersecurity, records and information management, conduct phishing tests and generally seek to promote awareness of cybersecurity risk through communication and education of our employee population. Each of the software tools installed in order to prevent attacks generates real-time alerts. These alerts reach multiple people in our company, who are prepared to respond at any time. In case of a real threat, the CEO is notified.

PART III

Item 17. Financial Statements

Not applicable.

Item 18. Financial Statements

See pages F-1 through F-32 of this annual report attached hereto.

Item 19. Exhibits

The following exhibits are filed as part of this annual report:

Exhibit No.	Exhibit
1.1*	Memorandum of Association, as amended
1.2****	Articles of Association, as amended
2(d)****	Description of Ordinary Shares
4.1**	MIND 1998 Share Option Plan
4.2**	MIND 2000 Share Option Plan
4.3***	MIND 2011 Share Incentive Plan
4.4	Compensation Policy of Directors and Officers
8	List of Subsidiaries
11.1***	Code of Ethics and Business Conduct
11.2*****	Insider Trading Policy
12.1	Certification of Principal Executive Officer pursuant to 17 CFR 240.13a-14(a), as adopted pursuant to §302 of the Sarbanes-Oxley Act
12.2	Certification of Principal Financial Officer pursuant to 17 CFR 240.13a-14(a), as adopted pursuant to §302 of the Sarbanes-Oxley Act
13.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act
13.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act
15.1	Consent of Fahn Kanne & Co. Grant Thornton Israel
97*****	Policy for Recovery of Erroneously Awarded Compensation
101	<p>The following financial information from MIND C.T.I. Ltd.'s Annual Report on Form 20-F for the year ended December 31, 2025, formatted in XBRL (eXtensible Business Reporting Language):</p> <ul style="list-style-type: none"> (i) Consolidated Balance Sheets at December 31, 2025 and 2024; (ii) Consolidated Statements of Operations for the years ended December 31, 2025, 2024 and 2023; (iii) Consolidated Comprehensive Income for the years ended December 31, 2025, 2024 and 2023; (iv) Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2025, 2024 and 2023; (v) Consolidated Statements of Cash Flows for the years ended December 31, 2025, 2024 and 2023; and (vi) Notes to Consolidated Financial Statements, tagged as blocks of text

* Incorporated by reference to MIND C.T.I. Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2002.

** Incorporated by reference to MIND C.T.I. Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2003.

*** Incorporated by reference to MIND C.T.I. Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2011.

**** Incorporated by reference to MIND C.T.I. Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2019.

***** Incorporated by reference to MIND C.T.I. Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2022.

***** Incorporated by reference to MIND C.T.I. Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2023.

***** Incorporated by reference to MIND C.T.I. Ltd.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2024.

SIGNATURES

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and has duly caused and authorized the undersigned to sign this annual report on its behalf.

MIND CTI LTD.

/s/ Ariel Glassner

By: Ariel Glassner

Title: Chief Executive Officer

Date: March 18, 2026

MIND C.T.I. LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2025

MIND C.T.I. LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2025

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of MIND C.T.I Ltd.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of MIND C.T.I Ltd. and subsidiaries (the "Company") as of December 31, 2025 and 2024, the related consolidated statements of operations, comprehensive income, changes in shareholders' equity, and cash flows, for each of the three years in the period ended December 31, 2025, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2025, in conformity with accounting principles generally accepted in the United States of America.

Basis for opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical audit matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Certified Public Accountants

Fahn Kanne & Co. is the Israeli member firm of Grant Thornton International Ltd

Goodwill impairment analysis

As described further in Note 1n and Note 5b to the consolidated financial statements, as of September 30, 2025, the Company performed goodwill impairment analysis with respect to goodwill balance with a total carrying amount of \$10 million that was allocated to two reporting units. As disclosed in Note 1n, goodwill is not amortized but rather tested for impairment at least annually or more often if indicators of impairment are present. Management either assesses qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying value, including goodwill (qualitative assessment) or elects to proceed directly to the impairment test and bypass the qualitative assessment. As part of the qualitative assessment, if, after assessing the totality of events or circumstances, the Company determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying value, additional impairment testing is not required. Goodwill impairment is measured by comparing the fair value of a reporting unit with its carrying value. The impairment test was based on a valuation performed by management. Judgments and assumptions used in the discounted cash flow model which included projected net cash flows from operations, short-term and long-term growth rates, weighted average cost of capital, interest, capital expenditures, cash flows, and market conditions. We identified the goodwill impairment analysis as a critical audit matter.

The principal considerations for our determination that the goodwill impairment assessment is a critical audit matter are the high degree of auditor judgment, effort and subjectivity in performing procedures and evaluating management's fair value estimate, which included projected net cash flows from operations, estimated weighted average cost of capital and short-term and long-term growth rates for the reporting units. Given the subjective nature and judgment applied by management, auditing these estimates required a high degree of auditor judgment and an increased extent of effort, including the use of our valuation specialist.

Our audit procedures related to the annual goodwill impairment analysis included the following, among others:

- We evaluated the appropriateness of the discounted cash flow model; tested the completeness, accuracy and relevance of underlying data used in the model; and evaluated the reasonableness of significant assumptions used by management, including projected net cash flows from operations, estimated weighted average cost of capital and short-term and long-term growth rates for the reporting units. Our evaluation involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the reporting units, (ii) the consistency with external market and industry data, and (iii) the consistency of the assumptions used with evidence obtained in other areas of the audit.
- We utilized a valuation specialist to assess the appropriateness of the impairment methodology used and to assist us with testing the appropriateness of the discount rate used (the estimated weighted average cost of capital) in the discounted cash flow model.

We have served as the Company's auditor since 2022.

/s/ FAHN KANNE & CO. GRANT THORNTON ISRAEL

Certified Public Accountants (Isr.)

Tel-Aviv, March 18, 2026

Certified Public Accountants

Fahn Kanne & Co. is the Israeli member firm of Grant Thornton International Ltd

**MIND C.T.I. LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS**

	Note	December 31,	
		2025	2024
		U.S. dollars in thousands	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	9a	\$ 8,116	\$ 4,452
Short-term bank deposits	9a	5,237	11,108
Marketable securities		200	193
Accounts receivable (net of allowance for credit losses of \$8 and \$208 as of December 31, 2025 and 2024, respectively)		1,713	2,498
Other current assets	9b	486	493
Prepaid expenses		330	175
Total current assets		16,082	18,919
NON-CURRENT ASSETS:			
Accounts receivable (net of allowance for credit losses of \$200 as of December 31, 2024)		-	448
Severance pay fund	6	1,596	2,346
Deferred income taxes	8c	147	108
Property and equipment, net	3	126	156
Right-of-use assets, net	4	876	861
Intangible assets, net	5a	1,376	135
Goodwill	5b	9,963	7,729
Total assets		\$ 30,166	\$ 30,702
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable		\$ 546	\$ 769
Other current liabilities and accruals	9c	1,434	1,469
Current maturities of lease liabilities	4	255	188
Deferred revenues		1,960	849
Total current liabilities		4,195	3,275
LONG-TERM LIABILITIES:			
Deferred revenues		239	108
Lease liabilities, net of current maturities	4	674	637
Accrued severance pay	6	1,596	2,346
Deferred income taxes	8c	413	40
Total liabilities		7,117	6,406
SHAREHOLDERS' EQUITY:			
Share capital - ordinary shares of NIS 0.01 par value – Authorized: 88,000,000 shares as of December 31, 2025 and 2024; Issued: 21,660,010 shares as of December 31, 2025 and 2024; Outstanding: 20,372,828 and 20,366,326 shares as of December 31, 2025 and 2024, respectively	7	54	54
Additional paid-in capital		28,020	27,904
Accumulated other comprehensive loss		(625)	(1,207)
Accumulated deficit		(3,470)	(1,572)
Treasury shares - 1,287,182 and 1,293,684 shares as of December 31, 2025 and 2024, respectively		(930)	(883)
Total shareholders' equity		23,049	24,296
Total liabilities and shareholders' equity		\$ 30,166	\$ 30,702

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

MIND C.T.I. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Note	Years Ended December 31,		
		2 0 2 5	2 0 2 4	2 0 2 3
		U.S. dollars in thousands, except per share data		
REVENUES:				10a
Sales of licenses Services		\$ 18,724	\$ 20,718	\$ 21,054
Sales of licenses		733	728	558
Total revenues		<u>19,457</u>	<u>21,446</u>	<u>21,612</u>
COST OF REVENUES				
Cost of services		9,427	10,592	10,631
Cost of sales of licenses		109	117	115
Total cost of revenues		<u>9,536</u>	<u>10,709</u>	<u>10,746</u>
GROSS PROFIT		<u>9,921</u>	<u>10,737</u>	<u>10,866</u>
OPERATING EXPENSES:				
Research and development		4,051	3,391	3,538
Selling and marketing		1,465	1,286	1,162
General and administrative		2,319	1,683	1,417
Total operating expenses		<u>7,835</u>	<u>6,360</u>	<u>6,117</u>
OPERATING INCOME		2,086	4,377	4,749
FINANCIAL INCOME, net	10b	<u>681</u>	<u>587</u>	<u>777</u>
INCOME BEFORE TAXES ON INCOME		2,767	4,964	5,526
TAXES ON INCOME	8	163	334	359
NET INCOME		<u>\$ 2,604</u>	<u>\$ 4,630</u>	<u>\$ 5,167</u>
EARNINGS PER SHARE - in U.S. dollars:				10c
Basic		\$ 0.13	\$ 0.23	\$ 0.26
Diluted		<u>\$ 0.13</u>	<u>\$ 0.22</u>	<u>\$ 0.25</u>
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES USED IN COMPUTATION OF EARNINGS PER SHARE - in thousands:				10c
Basic		<u>20,466</u>	<u>20,297</u>	<u>20,163</u>
Diluted		<u>20,628</u>	<u>20,581</u>	<u>20,471</u>

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

MIND C.T.I. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31,		
	2 0 2 5	2 0 2 4	2 0 2 3
	U.S. dollars in thousands		
NET INCOME	\$ 2,604	\$ 4,630	\$ 5,167
OTHER COMPREHENSIVE INCOME (LOSS):			
Translation adjustments	582	(206)	72
TOTAL COMPREHENSIVE INCOME	<u>\$ 3,186</u>	<u>\$ 4,424</u>	<u>\$ 5,239</u>

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

MIND C.T.I. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital		Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Treasury shares	Total
	Number of shares outstanding	Amount					
	In thousands						
	U.S. dollars in thousands						
BALANCE AS OF JANUARY 1, 2023	20,124	54	27,546	(1,073)	(1,662)	(1,058)	23,807
CHANGES DURING 2023:							
Comprehensive income	-	-	-	72	5,167	-	5,239
Dividend paid (\$0.24 per share) (Note 7c)	-	-	-	-	(4,839)	-	(4,839)
Employees share-based compensation expenses	-	-	281	-	-	-	281
Exercise of options issued to employees from treasury shares	61	-	(51)	-	-	51	-
BALANCE AS OF DECEMBER 31, 2023	20,185	54	27,776	(1,001)	(1,334)	(1,007)	24,488
CHANGES DURING 2024:							
Comprehensive income (loss)	-	-	-	(206)	4,630	-	4,424
Dividend paid (\$0.24 per share) (Note 7c)	-	-	-	-	(4,868)	-	(4,868)
Employees share-based compensation expenses	-	-	252	-	-	-	252
Exercise of options issued to employees from treasury shares	181	-	(124)	-	-	124	-
BALANCE AS OF DECEMBER 31, 2024	20,366	54	27,904	(1,207)	(1,572)	(883)	24,296
CHANGES DURING 2025:							
Comprehensive income	-	-	-	582	2,604	-	3,186
Dividend paid (\$0.22 per share) (Note 7c)	-	-	-	-	(4,502)	-	(4,502)
Employees share-based compensation expenses	-	-	199	-	-	-	199
Purchase of treasury shares	(118)	-	-	-	-	(130)	(130)
Exercise of options issued to employees from treasury shares	125	-	(83)	-	-	83	-
BALANCE AS OF DECEMBER 31, 2025	20,373	54	28,020	(625)	(3,470)	(930)	23,049

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

MIND C.T.I. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2 0 2 5	2 0 2 4	2 0 2 3
	U.S. dollars in thousands		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 2,604	\$ 4,630	\$ 5,167
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	270	186	196
Deferred income taxes, net	(99)	(43)	6
Accrued severance pay	48	46	46
Unrealized gain from marketable securities	(7)	(11)	(8)
Realized loss on sale of property and equipment	11	-	-
Employees share-based compensation	199	252	281
Changes in operating asset and liability items:			
Decrease (increase) in accounts receivable, net	1,496	(4)	(549)
Decrease (increase) in other current assets	52	42	(244)
Decrease (increase) in prepaid expenses	(138)	101	(108)
Increase (decrease) in accounts payable	(325)	(173)	20
Decrease in other current liabilities and accruals	(802)	(264)	(243)
Change in operation lease liability	89	12	12
Increase (decrease) in deferred revenues	588	(660)	(476)
Net cash provided by operating activities	3,986	4,114	4,100
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(27)	(10)	(64)
Acquisition of a subsidiary, net of cash acquired	(1,533)	-	-
Severance pay funds	(48)	(55)	(53)
Proceeds from redemption of (investment in) short-term bank deposits	5,882	2,356	(1,424)
Net cash provided by (used in) investing activities	4,274	2,291	(1,541)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividend paid	(4,502)	(4,868)	(4,839)
Purchase of treasury shares	(130)	-	-
Net cash used in financing activities	(4,632)	(4,868)	(4,839)
TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	36	(43)	(27)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,664	1,494	(2,307)
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,452	2,958	5,265
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 8,116	\$ 4,452	\$ 2,958
SUPPLEMENTAL DISCLOSURE OF CASH AND NON-CASH ACTIVITIES:			
Taxes paid	\$ 382	\$ 393	\$ 419
Interest received	\$ 638	\$ 820	\$ 579
Right-of-use assets recognized with corresponding lease liability	\$ 213	\$ 411	-

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

MIND C.T.I. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL:

a. Nature of operations:

MIND C.T.I. Ltd. is an Israeli company which, together with its subsidiaries (the “Company”), provides integrated products and services. The Company designs, develops, markets, supports, implements and operates billing and customer care systems, including consulting and managed services, primarily to wireless, wireline, and next-generation service providers throughout the world. The Company also provides a unified communication system used by enterprises for call accounting, traffic analysis, and fraud detection. The Company, through its subsidiaries, also provides enterprise and wholesale messaging.

The Company has wholly owned subsidiaries in the United States (MIND Software Inc.), Romania (MIND Software Srl), United Kingdom (MIND Software Limited) and Germany (MIND CTI GmbH, Message Mobile GmbH (“Message Mobile”) and aurenz GmbH (“aurenz”), see b. below).

b. Acquisition of aurenz:

On January 9, 2025, the Company acquired 100% of the outstanding shares of a German-based company, aurenz, for a total consideration of Euro 1.823 million (approximately \$1.9 million) in cash. aurenz is a provider of unified communications (UC) analytics and call accounting solutions.

The acquisition was accounted for as a business combination. This method requires, among other things, that assets acquired, and liabilities assumed in a business combination will be recognized at their fair values as of the acquisition date. The following table presents details of the identified intangible assets acquired as of the date of the acquisition:

	<u>Fair value</u>
Net liabilities and tangible assets assumed	\$ (715)
Customer relationships	1,271
Goodwill	1,720
Deferred income taxes	(381)
Total	<u>\$ 1,896</u>

The estimated useful life of the customer relationships is eight years.

As part of the purchase price allocation for the acquisition, the Company recorded goodwill in an amount of \$1,720 thousand. The goodwill reflects the value or premium of the acquisition price in excess of the fair values assigned to the identified assets acquired. The purchase price intrinsically recognizes the benefits of the broadened depth of new markets (see also Note 5b). Due to the characteristics of the acquired business, such amount was allocated to the Billing and related services segment.

The results of aurenz’s operations have been included in the consolidated financial statements commencing the first quarter of 2025.

MIND C.T.I. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL (continued):

c. The impact of the war in Israel:

In October 2023, Israel was attacked by Hamas in Gaza, a terrorist organization and entered a state of war. Since the commencement of these events, there have been additional active hostilities, including with Hezbollah in Lebanon, the Houthi movement which controls parts of Yemen, and with Iran. On October 9, 2025, Israel, Hamas, the United States and other countries in the region agreed to a framework for a ceasefire in Gaza between Israel and Hamas. How long and how severe the current conflicts in Gaza, Northern Israel, Lebanon, Iran or the broader region become is unknown at this time and any continued clash among Israel, Hamas, Hezbollah, Iran or other countries or militant groups in the region may escalate in the future into a greater regional conflict. As of the date of these consolidated financial statements and, the ceasefire between Israel and Hamas formally remains in place, but the broader regional situation continues to be unstable and subject to sudden escalation, and the ultimate political and security outcomes of these arrangements remain uncertain. To date, the Company's business and operations have not been adversely affected by the war. The Company has back-up IT systems and remote work ability and the Company expects that they will enable its operations to function well in the event of an emergency.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

a. Accounting principles:

The consolidated financial statements were prepared in accordance with Generally Accepted Accounting Principles in the United States of America ("GAAP").

b. Use of estimates in preparation of financial statements:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting years. Actual results could differ from those estimates. The most significant estimates with regard to the Company's consolidated financial statements relate to revenue recognition for projects that apply the percentage of completion measurement and goodwill impairment analysis.

c. Business combination:

The Company applies the provisions of ASC 805, "Business Combination", and allocates the fair value of purchase consideration to the tangible assets acquired, liabilities assumed, and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. When determining the fair values of assets acquired and liabilities assumed, management makes significant estimates and assumptions, especially with respect to intangible assets.

Significant estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from customer relationships and acquired technology from a market participant perspective, useful lives and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. Acquisition-related expenses are recognized separately from the business combination and are expensed as incurred.

MIND C.T.I. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

d. Functional currency:

The currency of the primary economic environment in which the operations of the Company and certain subsidiaries are conducted is the U.S. dollar ("dollar" or "\$"). Most of the Company's and its non-German subsidiaries' revenues are derived from sales which are denominated primarily in dollars. In addition, the majority of the Company's cash reserves and investments are denominated in dollars. Thus, the functional currency of the Company and certain subsidiaries is the dollar.

The Company and certain subsidiaries' transactions and balances denominated in dollars are presented at their original amounts. Non-dollar transactions and balances have been remeasured to dollars in accordance with Accounting Standards Codification ("ASC") 830, "Foreign Currency Matters". All transaction gains and losses from remeasurement of monetary balance sheet items denominated in non-dollar currencies are reflected in the statements of operations as financial income or expenses, as appropriate.

The currency of the primary economic environment in which the operations of the Company's German subsidiaries, Message Mobile, aurenz and MIND CTI GmbH, are conducted is the Euro. Most of the revenues of the German subsidiaries, are denominated primarily in Euros. Thus, the functional currency of such subsidiaries is the Euro. For the purpose of consolidation of those subsidiaries, assets and liabilities are translated at year-end exchange rates and statement of operations' items are translated at average exchange rates prevailing during the year. The resulting translation adjustments are recorded as a separate component of accumulated other comprehensive income (loss) in shareholders' equity.

e. Principles of consolidation:

The consolidated financial statements include the accounts of the Company and all of its wholly-owned subsidiaries.

Intercompany balances and transactions have been eliminated in consolidation. Profits from intercompany sales, not yet realized outside the Company and its subsidiaries, have also been eliminated.

f. Segment reporting:

The chief operating decision maker (the "CODM") of the Company is the Chief Executive Officer. The CODM reviews financial information about revenues and operating income for the purpose of allocating resources and evaluating financial performance. The Company has two reporting segments, see Note 11.

g. Cash and cash equivalents:

The Company considers all highly liquid investments, which include short-term bank deposits (up to three months from the original date of deposit) that are not restricted as to withdrawal or use, to be cash equivalents.

MIND C.T.I. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

h. Fair value of financial instruments:

The Company records part of its financial assets and liabilities at fair value. The accounting guidance for fair value provides a framework for measuring fair value, clarifies the definition of fair value, and expands disclosures regarding fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The accounting guidance establishes a three-tiered hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company recognizes transfers among Level 1, Level 2 and Level 3 classifications as of the actual date of the events or change in circumstances that caused the transfers.

The Company's financial instruments, including cash, cash equivalents, short-term bank deposits, marketable securities, accounts receivable, accounts payable and accruals have carrying amounts which are equal or approximate their fair value due to the short-term maturity of these instruments.

The measurement of cash and cash equivalents and marketable securities are classified within Level 1.

i. Short-term bank deposits:

Bank deposits with maturities of more than three months but less than one year are included in short-term bank deposits. These deposits are presented at cost and earn interest at market rates which present their fair value.

j. Marketable securities:

Marketable securities are classified as "financial assets held at fair value through profit or loss" when held for trading or are designated upon initial recognition as financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss are shown at fair value. Any gain or loss arising from changes in fair value, including those originating from changes in exchange rates is recognized in profit or loss in the period in which the change occurred. Net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset.

The Company invests in highly rated marketable securities, and its policy limits the amount of credit exposure to any one issuer. The Company's investment policy requires investments to be investment grade, rated BBB- or better, with the objective of minimizing the potential risk of principal loss. Fair values were determined for each individual security in the investment portfolio, based on quoted prices in active markets.

MIND C.T.I. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

k. Leases:

The Company applies ASC 842, "Leases". According to which, the Company first determines if an arrangement contains a lease and the classification of that lease, if applicable, at inception.

Leases are classified as either finance leases or operating leases. A lease is classified as a finance lease if certain criteria are met. Otherwise, a lease is classified as an operating lease. The Company concluded that all its lease contracts should be classified as operating leases.

Right of Use ("ROU") assets and liabilities are recognized on the commencement date based on the present value of the remaining lease payments over the lease term. For this purpose, the Company considers only payments that are fixed and determinable at the time of commencement. As most of the Company's leases do not provide an implicit rate, the Company uses its Incremental Borrowing Rate ("IBR") based on the information available on the commencement of the lease.

l. Property and equipment:

These assets are stated at cost, less accumulated depreciation and amortization.

The assets are depreciated by the straight-line method, on basis of their estimated useful life which best reflects the pattern of use.

Annual rates of depreciation are as follows:

	<u>%</u>
Computers and electronic equipment	15-33
Office furniture and equipment	6-7
Vehicles	15

Leasehold improvements are amortized by the straight-line method over the term of the lease, which is shorter than the estimated useful life of the improvements.

m. Intangible assets:

Intangible assets with definite lives are amortized over their estimated useful lives using the straight-line method which best reflects the pattern of use, at the following annual periods ranges:

	<u>Years</u>
Core technology	10.75
Customer relationships	5.75-8

The recoverability of these assets is measured by a comparison of the carrying amount of the asset to the undiscounted future cash flow expected to be generated by the assets. If the assets are considered to be impaired, the amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired assets.

During the years ended December 31, 2025, 2024 and 2023, no impairment losses have been identified with respect to intangible assets.

MIND C.T.I. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

n. Goodwill:

Goodwill reflects the excess of the purchase price of subsidiaries acquired in business combination transactions over the fair value of net assets acquired. Under ASC 350, "Intangibles – Goodwill and Others", goodwill is not amortized but rather tested for impairment at least annually or more often if indicators of impairment are present.

Events or changes in circumstances that could trigger an impairment review include macroeconomic and other industry specific factors including, among others, a significant adverse change in business climate, an adverse action or assessment by a regulator, unanticipated competition, a loss of key personnel, significant changes in the manner of the Company's use of the acquired assets or the strategy for its overall business, significant negative industry or economic trends, or significant underperformance relative to expected historical or projected future results of operations.

The Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying value, including goodwill. If, after assessing the totality of events or circumstances, the Company determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, additional impairment testing is not required.

Alternatively, the Company may elect to proceed directly to the impairment test and bypass the qualitative assessment. Goodwill impairment is measured by comparing the fair value of a reporting unit with its carrying amount.

The Company operates in two operating segments: Billing and Related Services, and Messaging. The Company's goodwill was allocated to those operating segments, each of which represents a whole separate reporting unit. As of December 31, 2025 and 2024, there is a balance of goodwill related to each of the Company's operating segments (see Note 5b).

The Company performed the annual impairment tests as of September 30, 2025, 2024 and 2023 and has determined that it is not required to recognize an impairment loss. The impairment test was based on a valuation performed by management. Judgments and assumptions used in the discounted cash flow model which included projected net cash flows from operations, short-term and long-term growth rates, weighted average cost of capital, interest, capital expenditures, cash flows, and market conditions.

o. Income taxes:

The Company accounts for income taxes, in accordance with the provisions of ASC 740, "Income Taxes", under the liability method of accounting. Under the liability method, deferred taxes are determined based on the differences between the financial statement and tax basis of assets and liabilities at enacted tax rates in effect in the year in which the differences are expected to reverse. Valuation allowances in respect of the deferred tax assets are provided for if, based upon the weight of available evidence, it is more likely than not that all or a portion of the deferred income tax assets will not be realized. Deferred tax liabilities and assets are classified as non-current.

For uncertain tax positions, the Company follows a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate resolution. The Company's policy is to include interest and penalties related to unrecognized tax benefits within income tax expenses.

MIND C.T.I. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

p. Revenue recognition:

The Company generates its revenues from software licensing, sales of professional services including integration and implementation, maintenance services, managed services and mobile messaging services.

The Company applies ASC 606, "Revenue from Contracts with Customers". Under ASC 606, revenue is measured as the amount of consideration the Company expects to be entitled to, in exchange for transferring products or providing services to its customers and is recognized when performance obligations under the terms of contracts with the Company's customers are satisfied. ASC 606 prescribes a five-step model for recognizing revenue from contracts with customers: (i) identify contract(s) with the customer; (ii) identify the separate performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the separate performance obligations in the contract; and (v) recognize revenue when (or as) each performance obligation is satisfied.

Deferred revenues include unearned amounts received from customers (mostly for ongoing maintenance and customizations performed for existing customers) but are not yet recognized as revenues. Such deferred revenues are recognized as described below.

The Company applies the provisions of ASC 606, as follows:

i) *Sale of standard licensed products*

Revenue from perpetual licenses is classified as software license revenue. Software license revenue is recognized as a point in time upon transfer of control to the customer which usually occurs when the licensed product and the utility that enables the customer to access authorization keys is delivered, provided that a signed contract has been received.

ii) *Services*

Revenues from ongoing maintenance and support fees are recognized over time on a pro-rated basis over the duration of the contract. Revenues earned from time and material arrangements, usually based on pre-agreed monthly rates, recognized over time, based on the duration of the contract and the service time provided to date.

Ongoing work on customizations performed for existing customers is generally provided on a fixed price basis and as such revenue is recognized when the related services are performed.

Contracts may include a combination of the Company's various products and services offerings, software, consulting services, and maintenance. For contracts with multiple performance obligations, the Company accounts for individual performance obligations separately if they are distinct. Significant judgment may be required to identify distinct obligations within a contract.

The total transaction price is allocated to the individual performance obligations based on the ratio of the relative established standalone selling prices (SSP), or the Company's best estimate of SSP, of each distinct product or service in the contract. Revenue is then recognized for each distinct performance obligation.

MIND C.T.I. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

Measuring Progress towards Completion

Where a performance obligation is satisfied over time for an upgrade or implementation project that requires significant customer modifications and complex implementation, revenue is recognized over time, as the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment, including a reasonable profit, based on the percentage of completion using the input method. This method relies on the Company's internal measure of progress, compared to the total effort to complete the modifications and implementation utilizing direct labor as the input measure. Estimates are based on the total number of hours performed on the project, compared to the total number of hours expected to complete the project. The estimate of the total number of hours to complete a project is inherently judgmental and depends upon the complexity of the work being undertaken, the customization being made to software and the customer environment being interfaced to. The scope of projects frequently changes, consequently, the judgement of total estimate at completion is subjected to a high level of review at all stages in a project life cycle.

Managed Services

Revenues from managed services include a monthly fee for services and a right to access the Company's software and are recorded as service revenues. The Company does not provide the customer with the contractual right to take possession of the software at any time during the period under these contracts. The monthly fee is based mainly on the number of subscribers or customers' business volume and the contracts include a minimum monthly charge. These revenues are recognized over time on a monthly basis when those services are satisfied.

iii) *Mobile Messaging Transactions*

Certain of the Company's subsidiaries in Germany provide mobile messaging services, via text messages (SMS) and IP (Internet Protocol) messaging channels. Revenues from mobile messaging services are recognized when the messaging service has been rendered, i.e., the messages are delivered to the recipient. The revenue amount is based on the price specified in the contract.

q. Research and development expenses:

Pursuant to ASC 985-20, "Software - Costs of Software to be Sold, Leased, or Marketed", development costs related to software products are expensed as incurred until the "technological feasibility" of the product has been established. Because of the relatively short time period between "technological feasibility" and product release, and the insignificant amount of costs incurred during such period, no software development costs have been capitalized.

r. Share-based compensation:

The Company accounts for share-based compensation in accordance with ASC 718, "Compensation - Stock Compensation", which requires the measurement and recognition of compensation expense based on estimated fair values for all share-based payment awards made to employees. ASC 718 requires companies to estimate the fair value of equity-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service periods in the Company's consolidated statements of operations.

The Company recognizes compensation cost for an award with only service conditions that has a graded vesting schedule using the straight-line method over the requisite service period for the entire award, net of estimated forfeitures.

MIND C.T.I. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

s. Earnings per share (“EPS”):

Basic EPS is computed by dividing net income by the weighted average number of shares outstanding during the year, net of treasury shares.

Diluted EPS reflects the increase in the weighted average number of shares outstanding that would result from the assumed exercise of employee stock options, calculated using the treasury stock method.

t. Treasury shares:

Treasury shares are presented as a reduction of shareholders’ equity, at their cost to the Company, under “Treasury shares”.

u. Concentration of credit risks:

Most of the cash and cash equivalents, short-term deposits and marketable securities of the Company and its subsidiaries are deposited with Israeli, European and U.S. banks. The Company is not aware of any specific credit risks in respect of these banks.

The Company’s revenues have been generated from a large number of customers. Consequently, management believes the exposure to credit risks relating to accounts receivable is limited. The Company performs ongoing credit evaluations of its customers for the purpose of determining the appropriate allowance for credit losses.

The following table sets forth activity in the Company’s allowance for credit losses for each of the years ended December 31, 2025, 2024 and 2023, respectively:

	2 0 2 5	2 0 2 4	2 0 2 3
	U.S. dollars in thousands		
Balance at beginning of year	\$ 408	\$ 12	\$ 70
Current-period allowance (reversal), net:	463	396	(58)
Write-offs charged against the allowance and revaluation	(863)	-	-
Balance at end of year	\$ 8	\$ 408	\$ 12

v. Recently adopted accounting pronouncements:

In December 2023, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU 2023-09”), “Income Taxes (Topic 740): Improvements to Income Tax Disclosures”, which requires public entities, on an annual basis, to provide disclosure of specific categories in the rate reconciliation, as well as disclosure of income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company adopted ASU 2023-09 for the year ended December 31, 2025, and applied the new disclosure requirements prospectively to the current annual period. Prior period disclosures have not been adjusted to reflect the new disclosure requirements, see Note 8 for further details.

MIND C.T.I. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

w. Recently issued accounting pronouncements not yet adopted:

In November 2024, the FASB issued ASU 2024-03, "Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Topic 220): Disaggregation of Income Statement Expenses", which requires disaggregated disclosure in the notes to the financial statements, of prescribed categories of expenses within relevant statement of operations captions. ASU 2024-03 is effective for fiscal years beginning after December 15, 2026 and interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted. The Company is currently evaluating the effect of adopting ASU 2024-03 on its disclosures.

In July 2025, the FASB issued ASU 2025-05, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets", which provides a practical expedient when estimating credit losses on accounts receivable and contract assets arising from transactions accounted for under ASC 606, "Revenue from Contracts with Customers". Under this practical expedient, an entity is allowed to assume that the current conditions it has applied in determining credit loss allowances for current accounts receivable and current contract assets remain unchanged for the remaining life of those assets. ASU 2025-05 is effective for annual periods beginning after December 15, 2025, and interim periods within those annual reporting periods. The Company is currently assessing the effect of adopting ASU 2025-05.

In September 2025, the FASB issued ASU 2025-06, "Intangibles - Goodwill and Other - Internal-Use Software (Topic 350-40): Targeted Improvements". ASU 2025-06 provides updated guidance clarifying the capitalization of costs related to internal-use software, including enhanced guidance on cloud computing arrangements. ASU 2025-06 is effective for annual periods beginning after December 15, 2027, and interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating this guidance to determine the impact it may have on its consolidated financial statements.

NOTE 3 - PROPERTY AND EQUIPMENT, NET:

a. Composition of assets, grouped by major classification, is as follows:

	December 31,	
	2 0 2 5	2 0 2 4
	U.S. dollars in thousands	
Computers and electronic equipment	\$ 1,917	\$ 1,917
Office furniture and equipment	333	158
Vehicles	156	116
Leasehold improvements	115	27
	<u>2,521</u>	<u>2,218</u>
Less - accumulated depreciation and amortization	(2,395)	(2,062)
	<u>\$ 126</u>	<u>\$ 156</u>

b. Depreciation expenses totaled \$69 thousand, \$67 thousand and \$76 thousand in the years ended December 31, 2025, 2024 and 2023, respectively.

MIND C.T.I. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - PROPERTY AND EQUIPMENT, NET (continued):

c. Property and equipment, net - by geographical location:

	December 31,	
	2 0 2 5	2 0 2 4
	U.S. dollars in thousands	
Israel	\$ 42	\$ 64
Romania	51	47
Germany	33	45
Total	<u>\$ 126</u>	<u>\$ 156</u>

NOTE 4 - LEASES:

The Company has entered into various non-cancellable operating lease agreements for certain office spaces. The leases have original lease periods expiring between 2027 and 2033. The Company does not assume renewals in its determination of the lease term unless the renewals are considered as reasonably certain.

The following represents the aggregate right-of-use assets and related lease liabilities from operating lease agreements for certain offices as recognized in the consolidated balance sheets:

	December 31,	
	2 0 2 5	2 0 2 4
	U.S. dollars in thousands	
Right-of-use assets, net	\$ 876	\$ 861
Current liabilities	\$ 255	\$ 188
Long-term liabilities	674	637
Total operating lease liabilities	<u>\$ 929</u>	<u>\$ 825</u>

In December 2025, the Company entered into a new operating lease agreement of the office space of aurenz in Germany which resulted in increase of the right-of-use asset and the lease liability in approximately \$114 thousand, the lease term is an eight year period commencing in January 2026.

In April 2025, the Company entered into a new operating lease agreement of the office space in Suceava, Romania, which resulted in increase of the right-of-use asset and the lease liability in approximately \$99 thousand, the lease term is a five year period commencing in April 2025.

In December 2024, the Company entered into a new operating lease agreement of the office space in Iasi, Romania, which resulted in increase of the right-of-use asset and the lease liability in approximately \$411 thousand, the lease term is a five year period commencing in January 2025.

The weighted average lease term and weighted average discount rate as of December 31, 2025, were as follows:

Weighted average lease term – operating lease	3.92 years
Weighted average discount rate – operating lease	8.28%

MIND C.T.I. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - LEASES (continued):

The future cash flows related to the operating lease liabilities as of December 31, 2025, were as follows:

	U.S. dollars in thousands
Years ending December 31:	
2026	\$ 319
2027	319
2028	204
2029	162
2030	26
Thereafter	57
Total lease payments (undiscounted)	1,087
Less – discount to net present value	(158)
Present value of lease liabilities	<u>\$ 929</u>

NOTE 5 - GOODWILL AND OTHER INTANGIBLE ASSETS:

a. Definite-lived intangible assets:

	December 31,	
	2025	2024
	U.S. dollars in thousands	
Core technology	\$ 312	\$ 312
Customer relationships	1,818	545
	2,130	857
Less – accumulated amortization	(907)	(706)
	1,223	151
Functional currency translation adjustments	153	(16)
Total intangible assets, net	<u>\$ 1,376</u>	<u>\$ 135</u>

b. Goodwill:

	Billing and related services	Messaging	Total
	U.S. dollars in thousands		
Balance as of January 1, 2024	\$ 5,430	\$ 2,442	\$ 7,872
Changes during the year ended December 31, 2024:			
Functional currency translation adjustments	-	(143)	(143)
Balance as of December 31, 2024	5,430	2,299	7,729
Changes during the year ended December 31, 2025:			
Acquisition (see Note 1b)	1,720	-	1,720
Functional currency translation adjustments	220	294	514
Balance as of December 31, 2025	<u>\$ 7,370</u>	<u>\$ 2,593</u>	<u>\$ 9,963</u>

MIND C.T.I. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - SEVERANCE PAY:

Israeli law generally requires payment of severance pay upon dismissal of an employee or upon termination of employment in certain other circumstances. The severance pay liability of the Company to its Israeli employees, based upon the number of years of service and the latest monthly salary, is fully covered by regular deposits with severance pay funds and pension funds, and by purchase of insurance policies; under labor agreements, the deposits with recognized pension funds and the insurance policies, as above, are in the employees' names and are, subject to certain limitations, the property of the employees.

The Company has entered into an agreement with some of its employees implementing Section 14 of the Israeli Severance Pay Law, 1963 and the general approval of the Minister of Labor dated June 30, 1998, issued in accordance with such Section 14. The agreement mandates that upon termination of such employees' employment, all the amounts accrued in their severance funds, pension funds and by the insurance policies will be released to them. The severance pay liabilities and deposits covered by these plans are not reflected in the balance sheet, as the severance pay risks have been irrevocably transferred to the severance funds, pension funds and insurance companies.

The amounts accrued and the portions funded, with severance pay funds, pension funds and by the insurance policies, are reflected in the financial statements as follows:

	December 31,	
	2 0 2 5	2 0 2 4
	U.S. dollars in thousands	
Accrued severance pay	\$ 1,596	\$ 2,346
Severance pay fund	(1,596)	(2,346)
Unfunded balance	\$ -	\$ -

The amounts of accrued severance pay as above cover the Company's severance pay liability in accordance with labor agreements in force and based on salary components which, in management's opinion, create entitlement to severance pay. The Company records the obligation as if it was payable at each balance sheet date on an undiscounted basis.

Withdrawals from the funds are generally made for the purpose of paying severance pay.

The severance pay expenses were \$48 thousand, \$55 thousand and \$53 thousand in the years ended December 31, 2025, 2024 and 2023, respectively.

MIND C.T.I. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - SHAREHOLDERS' EQUITY:

a. Share capital:

The Company's ordinary shares are traded in the United States on the Nasdaq Global Market, under the symbol MNDO. The Ordinary shares of the Company confer upon their holders the right to receive notice to participate and vote in general meetings of the Company and the right to receive dividends, if and when, declared.

b. Treasury shares:

During the period between September 2008 and December 2009, the Company purchased an aggregate number of 3,165,092 ordinary shares for a total consideration of approximately \$2.8 million.

On November 12, 2025, the Company's Board of Directors authorized a program to repurchase up to \$2.4 million of the Company issued and outstanding shares. Repurchases may be made from time to time in the open market in accordance with applicable securities laws and regulations. The timing and amount of the repurchase transactions will be determined by management and may depend on a variety of factors including market conditions, alternative investment opportunities and other considerations. Through December 31, 2025, the Company spent an aggregate of \$130 thousands to repurchase 117,998 ordinary shares under the Company's share repurchase program.

As of December 31, 2025, the remaining treasury shares are 1,287,182 ordinary shares which amounted to \$930 thousand. The treasury shares are mainly utilized by the Company to settle exercise of options by employees. During the years ended December 31, 2025, 2024 and 2023, the number of treasury shares were utilized is 124 thousand, 181 thousand and 61 thousand, respectively.

c. Dividends:

Dividends paid per share in the years ended December 31, 2025, 2024 and 2023, were \$0.22, \$0.24 and \$0.24, respectively.

The Company paid dividends to its shareholders in the total amounts of approximately \$4.5 million, \$4.9 million and \$4.8 million during the years ended December 31, 2025, 2024 and 2023, respectively.

d. Stock option plan:

In 2011, the Board of Directors and the Company's shareholders approved a ten-year share incentive plan (the "2011 Share Incentive Plan") that was further extended by the Board of Directors for an additional ten years. Under the 2011 Share Incentive Plan, options for up to 1,800,000 ordinary shares of NIS 0.01 par value can be granted to employees, directors, consultants or contractors of the Company and its subsidiaries.

Each option can be exercised to purchase one ordinary share. Immediately upon issuance, the ordinary shares issuable upon the exercise of the options will confer their holders the same rights as the other ordinary shares.

The Board of Directors determines the exercise price and the vesting period of the options granted. The outstanding options, granted under the abovementioned plan, vest over 2-4 years on service basis. Options not exercised will expire five years after the day of grant.

MIND C.T.I. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - SHAREHOLDERS' EQUITY (continued):

The compensation costs charged against income for the 2011 Share Incentive Plan were comprised as follows:

	Years Ended December 31,		
	2025	2024	2023
	U.S. dollars in thousands		
Cost of revenues	\$ 37	\$ 52	\$ 60
Research and development expenses	129	163	180
Selling and marketing expenses	4	3	3
General and administrative expenses	29	34	38
	<u>\$ 199</u>	<u>\$ 252</u>	<u>\$ 281</u>

Under Section 102 of the Israeli Income Tax Ordinance (New Version), 1961 (the "Israeli Tax Ordinance"), pursuant to an election made by the Company thereunder, Israeli employees (except for employees who are deemed "Controlling Members" under the Israeli Income Tax Ordinance) are subject to a lower tax rate of 25% on part of the capital gains accruing to them in respect of Section 102 awards. However, the Company is not allowed to claim as an expense for tax purposes the amounts credited as income for tax purposes to such employees.

1) The following is a summary of the status of the 2011 Share Incentive Plan as of December 31, 2025, 2024 and 2023, and changes during the years ended on those dates:

	Years Ended December 31,					
	2025		2024		2023	
	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price
Options outstanding at the beginning of year	489,500	\$ 0.807	501,000	\$ 0.003	452,500	\$ 0.003
Changes during year:						
Granted (a)	100,000	\$ 1.800	200,000	\$ 1.972	132,000	\$ 0.003
Exercised	(124,500)	\$ 0.003	(181,500)	\$ 0.003	(60,500)	\$ 0.003
Forfeited	(26,000)	\$ 0.003	(26,000)	\$ 0.003	(15,000)	\$ 0.003
Expired	-		(4,000)	\$ 0.003	(8,000)	\$ 0.003
Options outstanding at the end of year	<u>453,000</u>	<u>\$ 1.269</u>	<u>489,500</u>	<u>\$ 0.807</u>	<u>501,000</u>	<u>\$ 0.003</u>
Options exercisable at the end of year	<u>36,000</u>	<u>\$ 0.003</u>	<u>21,000</u>	<u>\$ 0.003</u>	<u>30,000</u>	<u>\$ 0.003</u>
Weighted average grant date fair value of options granted during the year (b)		<u>\$ 0.15</u>		<u>\$ 0.09</u>		<u>\$ 1.28</u>

MIND C.T.I. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - SHAREHOLDERS' EQUITY (continued):

- (a) In the year ended December 31, 2025, the options were granted with an exercise price of \$1.80. In the year ended December 31, 2024, the options were granted to the Company's Chief Executive Officer with an exercise price of \$1.972, which is equal to the average closing price per share of the Company's ordinary shares on the Nasdaq Stock Market during the 30 trading day period immediately preceding the date of grant of such option. In the year ended December 31, 2023, the options were granted with an exercise price equal to par value of NIS 0.01 (\$0.003).
- (b) The fair value of each stock option granted is computed on the date of grant according to the Black-Scholes option pricing model with the following assumptions:

	Years Ended December 31,		
	2 0 2 5	2 0 2 4	2 0 2 3
Dividend yield	10.95%	12.31%	10.48%
Expected volatility*	24.63%	25.79%	51%
Average risk-free interest rate	3.98%	4.14%	4.53%
Expected average term - in years	3.88	3.88	3.88

* Volatility is based on the historical volatility of the Company's share price for periods matching the expected term of the option until exercise.

As of December 31, 2025, there were approximately \$109 thousand of total unrecognized compensation costs, net of expected forfeitures, related to unvested share-based compensation awards granted under the 2011 Share Incentive Plan. The costs are expected to be recognized over a weighted average period of 0.8 years.

- 2) The following table summarizes information about outstanding options and exercisable options as of December 31, 2025:

Range of exercise prices	Options Outstanding			Options Exercisable		
	Number outstanding at December 31, 2 0 2 5	Weighted average remaining contractual life Years	Weighted average exercise price	Number exercisable at December 31, 2 0 2 5	Weighted average remaining contractual life Years	Weighted average exercise price
	\$ 0.003 - 1.972	453,000	3.19	\$ 1.269	36,000	1.89

The total intrinsic value of options exercised during the years ended December 31, 2025, 2024 and 2023 were approximately \$224 thousand, \$372 thousand and \$129 thousand, respectively. As of December 31, 2025, the aggregate intrinsic value of the outstanding options is \$174 thousand, and the aggregate intrinsic value of the exercisable options is \$41 thousand, the total number of shares authorized for future grants under 2011 Share Incentive Plan is 2,956,210.

MIND C.T.I. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - TAXES ON INCOME:

a. Israeli corporate tax

- 1) Tax benefits under the Law for the Encouragement of Industry (Taxes), 1969:

The Company is an “Industrial Company”, as defined by this law. As such, the Company is entitled to claim depreciation at increased rates for equipment used in industrial activity, as stipulated by regulations published under the Income Tax (Inflationary Adjustments) Law, 1985.

- 2) Tax benefits under the Law for the Encouragement of Capital Investments, 1959 (the “Investment Law”):

On February 18, 2018 and on February 16, 2022, the Company received a status of “Preferred Technological Enterprise” as defined under the Investment Law (the “Approvals”). In accordance with the Approvals, starting in 2017 and until 2026, income originating from granting the right of use as defined in the Approval, will be defined as Technologic Preferred Income, as defined under the Law, and will be subject to a tax rate of 7.5%. The reduced tax rate applies only with respect to the revenue attributable to the portion of intellectual property developed in Israel. The Preferred Technological Income is calculated for each tax year by applying the “Nexus” formula as detailed in the Israeli regulations.

Dividends distributed from income which is attributed to a “Preferred Technological Enterprise” will be subject to withholding tax of 20%, subject to a reduced tax rate under the provisions of an applicable double taxation treaty.

b. Other applicable tax rates:

- 1) Income from other sources in Israel

The tax rate relevant to corporates in Israel is 23%.

- 2) Income of non-Israeli subsidiaries

Non-Israeli subsidiaries are taxed according to the tax laws in their respective countries of residence.

c. Deferred income taxes:

- 1) Provided in respect of the following:

	December 31,	
	2 0 2 5	2 0 2 4
	U.S. dollars in thousands	
Research and development expenses, which are recognized for tax purposes over three years	\$ 78	\$ 87
Carryforward tax losses, see (2) below	1,194	880
Other	69	21
Less - valuation allowance, see (2) below	(1,194)	(880)
	<u>\$ 147</u>	<u>\$ 108</u>

MIND C.T.I. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - TAXES ON INCOME (continued):

Deferred income tax assets are presented in the balance sheet among non-current assets. Also, as of December 31, 2025 and 2024, the Company has deferred income tax liability in the amount of \$413 thousand and \$40 thousand, respectively, which is calculated on temporary difference on intangible assets, which were recorded as a part of Message Mobile's and aurenz's acquisitions. Deferred income tax liability is presented in the balance sheet among long-term liabilities.

- 2) As of December 31, 2025 and 2024, the Company has provided valuation allowances in respect of deferred tax assets in certain subsidiaries resulting from tax losses carryforward due to uncertainty concerning their realization.

d. The components of income before taxes on income are as follows:

	Years Ended December 31,		
	2 0 2 5	2 0 2 4	2 0 2 3
	In thousands		
Domestic	1,753	3,757	4,830
Foreign	1,014	1,207	696
	<u>2,767</u>	<u>4,964</u>	<u>5,526</u>

e. Taxes on income included in the statements of operations:

- 1) As follows:

	Years Ended December 31,		
	2 0 2 5	2 0 2 4	2 0 2 3
	U.S. dollars in thousands		
Current:			
Domestic	\$ 202	\$ 252	\$ 308
Foreign	60	125	45
	<u>262</u>	<u>377</u>	<u>353</u>
Deferred:			
Domestic	(38)	(6)	12
Foreign	(61)	(37)	(6)
	<u>(99)</u>	<u>(43)</u>	<u>6</u>
	<u>\$ 163</u>	<u>\$ 334</u>	<u>\$ 359</u>

MIND C.T.I. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - TAXES ON INCOME (continued):

- 2) A reconciliation of the accrual for income taxes for the year ended December 31, 2025, to the amount computed by applying tax rates applicable to companies in Israel (see b(1) above), and the actual tax expense after the adoption of ASU 2023-09 is as follows:

	<u>U.S. dollars</u> <u>in thousands</u>	<u>Percent</u>
Income before taxes on income, as reported in the statements of operations	\$ 2,767	100%
Theoretical tax expense	636	23%
Less - tax benefits arising from Technologic Preferred Enterprise status in Israel, see a. above	(272)	(9.82)%
	<u>364</u>	<u>13.18%</u>
Foreign tax effects	(115)	(4.15)%
Changes in valuation allowance	(102)	(3.68)%
Non-taxable or non-deductible items	4	0.13%
Other adjustments	12	0.4%
Taxes on income for the reported years:	<u>\$ 163</u>	<u>5.88%</u>

- 3) A reconciliation of the accrual for income taxes for the years ended December 31, 2024, and 2023 to the amount computed by applying tax rates applicable to companies in Israel (see b(1) above), and the actual tax expense for years prior to the adoption of ASU 2023-09 is as follows:

	<u>Years Ended</u> <u>December 31,</u>	
	<u>2 0 2 4</u>	<u>2 0 2 3</u>
	<u>U.S. dollars in thousands</u>	
Income before taxes on income, as reported in the statements of operations	\$ 4,964	\$ 5,526
Theoretical tax expense	1,142	1,271
Less - tax benefits arising from Technologic Preferred Enterprise status in Israel, see a. above	(583)	(757)
	<u>559</u>	<u>514</u>
Increase (decrease) in taxes resulting from other differences:		
Disallowable deductions	120	140
Taxes on income from previous years	(44)	(88)
Changes in valuation allowance	(229)	(178)
Other	(72)	(29)
Taxes on income for the reported years:	<u>\$ 334</u>	<u>\$ 359</u>

MIND C.T.I. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - TAXES ON INCOME (continued):

f. Tax assessments:

The Company received final tax assessments through the 2021 tax year.

For the US subsidiary, any tax years starting 2022 and any tax attributes carryforwards from prior periods remain subject to Federal tax examination in future periods (under the standard US statute of limitation and subject to tax filing).

The other subsidiaries received final tax assessments through tax years 2019 until 2020.

NOTE 9 - SUPPLEMENTARY BALANCE SHEET INFORMATION:

a. Cash, cash equivalents and short-term bank deposits:

	December 31,	
	2 0 2 5	2 0 2 4
	U.S. dollars in thousands	
Cash	\$ 3,143	\$ 2,960
Cash equivalents*	4,973	1,492
Total cash and cash equivalents	\$ 8,116	\$ 4,452
Short-term bank deposits*	\$ 5,237	\$ 11,108

* The average interest rate on short-term deposits (including short-term deposits classified among cash equivalents) is 4.01% and 5.09%, as of December 31, 2025 and 2024, respectively.

b. Other current assets:

	December 31,	
	2 0 2 5	2 0 2 4
	U.S. dollars in thousands	
Government institutions	\$ 314	\$ 135
Employees	2	10
Interest receivable	84	258
Sundry	86	90
	\$ 486	\$ 493

MIND C.T.I. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - SUPPLEMENTARY BALANCE SHEET INFORMATION (continued):

c. Other current liabilities and accruals:

	December 31,	
	2025	2024
	U.S. dollars in thousands	
Payroll and related expenses	\$ 628	\$ 801
Government institutions	124	194
Accrued vacation pay	130	77
Accrued expenses and sundry	552	397
	<u>\$ 1,434</u>	<u>\$ 1,469</u>

NOTE 10 - SELECTED STATEMENT OF OPERATIONS DATA:

a. Revenues:

- 1) The Company's revenues derive from the sale of software products and services in two operating segments, see Note 11. The Company has three product lines: (i) product line "A" - billing and customer care solutions for service providers; (ii) product line "B" - unified communication solutions for enterprises; and (iii) product line "C" - mobile messaging and communication solutions. Product lines "A" and "B" relate to the billing and related services reporting segment and product line "C" relates to the messaging reporting segment.

The following table sets forth the revenues classified by product lines:

	Years Ended December 31,		
	2025	2024	2023
	U.S. dollars in thousands		
Product line "A"	\$ 9,622	\$ 11,765	\$ 11,497
Product line "B"	2,971	1,851	2,127
Product line "C"	6,864	7,830	7,988
	<u>\$ 19,457</u>	<u>\$ 21,446</u>	<u>\$ 21,612</u>

- 2) The following table sets forth the geographical revenues classified by geographical location of the customers:

	Years Ended December 31,		
	2025	2024	2023
	U.S. dollars in thousands		
Europe	\$ 11,425	\$ 11,402	\$ 11,633
The Americas	6,687	8,508	7,897
Israel	948	1,061	920
Other	397	475	1,162
	<u>\$ 19,457</u>	<u>\$ 21,446</u>	<u>\$ 21,612</u>

MIND C.T.I. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - SELECTED STATEMENT OF OPERATIONS DATA (continued):

b. Financial income, net:

	Years Ended December 31,		
	2 0 2 5	2 0 2 4	2 0 2 3
	U.S. dollars in thousands		
Income:			
Interest on bank deposits and short-term investments	\$ 475	\$ 750	\$ 737
Non-dollar currency gains, net	255	-	50
Unrealized gain from marketable securities	7	11	8
Other financial income	-	9	9
	<u>737</u>	<u>770</u>	<u>804</u>
Expenses:			
Non-dollar currency losses, net	-	(159)	-
Bank commissions and charges	(33)	(24)	(27)
Other financial expenses	(23)	-	-
	<u>(56)</u>	<u>(183)</u>	<u>(27)</u>
	<u>\$ 681</u>	<u>\$ 587</u>	<u>\$ 777</u>

c. Earnings per ordinary share ("EPS"):

The following table sets forth the computation of the Company's basic and diluted EPS:

	Years Ended December 31,		
	2 0 2 5	2 0 2 4	2 0 2 3
	In thousands		
Weighted average number of shares issued and outstanding - used in computation of basic EPS	20,466	20,297	20,163
Incremental shares from assumed exercise of options	162	284	308
Weighted average number of shares used in computation of diluted EPS	<u>20,628</u>	<u>20,581</u>	<u>20,471</u>

In the years ended December 31, 2025, 2024 and 2023, options that had an anti-dilutive effect were not taken into account in computing the diluted EPS. The number of options that could potentially dilute EPS in the future and were not included in the computation of diluted EPS is 300,000, 200,000 and none, for the years ended December 31, 2025, 2024 and 2023, respectively.

NOTE 11 - REPORTABLE SEGMENTS:

The Company applies ASC 280, "Segment Reporting". ASC 280 establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the CODM in deciding how to allocate resources and in assessing performance. The Company's revenues are derived from two reportable segments: (i) Billing and Related Services segment which comprise of two product lines (billing and customer care solutions for service providers and call accounting and call management solutions for enterprises) and (ii) Messaging segment which derives revenues from mobile messaging and communication solutions. for further information see Note 10a above. The acquired business as described in Note 1b was attributed to the Billing and Related Services segment.

MIND C.T.I. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 - REPORTABLE SEGMENTS (continued):

As described in Note 1f, the CODM of the Company is the Chief Executive Officer. The CODM allocates resources to and assesses the performance of each operating segment using information about the operating segment's revenue and operating results, among others by comparing the actual results of each segment to historical results and the annual budget and the expected results. The CODM does not evaluate operating segments using assets or liabilities information.

Revenue and expenses are generally directly attributed to the Company segments. These expenses include employment compensation, telecom service providers fees, overhead and related costs, software license fees to third parties, consumer hardware product costs, and legal-related costs. Indirect costs are allocated to segments based on a reasonable allocation methodology, when such costs are significant to the performance measures of the operating segments.

Beginning in the year ended December 31, 2024, the Company adopted ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosure" retrospectively. The following table sets forth the Company segment information of revenue, expenses, and operating income:

	Years Ended December 31,		
	2 0 2 5	2 0 2 4	2 0 2 3
	U.S. dollars in thousands		
Billing and Related Services:			
Revenues	\$ 12,593	\$ 13,616	\$ 13,624
Employment compensation (1)	(7,700)	(6,903)	(6,908)
Other segment expenses (2)	(3,296)	(2,662)	(2,093)
Operating income	<u>\$ 1,597</u>	<u>\$ 4,051</u>	<u>\$ 4,623</u>

	Years Ended December 31,		
	2 0 2 5	2 0 2 4	2 0 2 3
	U.S. dollars in thousands		
Messaging:			
Revenues	\$ 6,864	\$ 7,830	\$ 7,988
Telecom services (3)	(5,681)	(6,620)	(6,917)
Other segment expenses (4)	(694)	(884)	(945)
Operating income	<u>\$ 489</u>	<u>\$ 326</u>	<u>\$ 126</u>

- (1) Includes employee payroll, bonuses, share-based compensation, and other employee related benefits.
- (2) Includes expenses for software license fees to third parties, consumer hardware product costs, and legal-related costs and other expenses.
- (3) Include enterprise and wholesale messaging costs.
- (4) Includes expenses for employment compensation, overhead and related costs, and amortization of intangible assets.

Revenues from one customer of the Company's billing and related services segment represent approximately 15%, 11% and 12% of the total revenues for the years ended December 31, 2025, 2024 and 2023, respectively. For information about the total revenues from external customers on the basis of the Company's geographical areas, see Note 10a above.

MIND C.T.I. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 - RELATED PARTIES:

a. Balances:

As of December 31, 2025 and 2024, the Company had a short-term accrual in the amount of \$130 thousand and \$232 thousand, pursuant to the compensation policy regarding the Chief Executive Officer's annual bonus. Also, as of December 31, 2024, the Company had a short-term accrual in the amount of \$165 thousand, for post-retirement benefits of the outgoing Chief Executive Officer.

b. Transactions:

During the years ended December 31, 2025, 2024 and 2023, the Company recorded salary expenses, cash bonus and directors' fees to its related parties in the amount of \$623 thousand, \$762 thousand and \$598 thousand, respectively.

NOTE 13 - SUBSEQUENT EVENT:

a. Epic Fury operation:

Subsequent to December 31, 2025, on February 28, 2026, Israel and the United States launched a combined attack against government targets in Iran, following which Iran responded by firing missiles at Israel and other countries in the region. Following these developments, the terrorist organization Hezbollah opened fire on Israel, which in response expanded the fighting front on the northern border. As a result, the Israeli government declared a special state of emergency in the home front throughout the country, including restrictions on gatherings and a reduction in economic activity except for essential workplaces. In addition, the Israel airspace was closed for flights.

As of the date of issuance of the financial statements, the Company is unable to estimate the extent of the possible consequences of this event on its operations and results.

b. Treasury shares:

During the period from January 1, 2026 to March 11, 2026, the Company repurchased additional 78,418 of its ordinary shares for an aggregate consideration of \$94 thousand.

Compensation Policy of Directors and Officers

1. Introduction

- 1.1. Pursuant to the provisions of the Companies Law 5759–1999 (the “**Companies Law**”), the Board of Directors of the Company approved on May 8, 2013 and re-approved on May 5, 2016 a compensation policy (the “**Compensation Policy**”) with regard to the terms of service and employment of officers¹ of MIND CTI Ltd. (the “**Company**”), following the recommendation of the Company’s Compensation Committee who discussed and considered the Compensation Policy. The Compensation Policy was approved by the General Meeting of shareholders on June 24, 2013, August 11, 2016, and May 26, 2019.
- 1.2. The Compensation Policy shall be subject to all mandatory provisions of any applicable law which apply to the Company and its officers, and to the Company's Articles of Association.

Several main principles and objectives form the basis of the Compensation Policy: (a) To promote the Company's goals and targets and its long term policy; (b) To create appropriate incentives for the Company’s officers, considering, among others, the Company’s risk management policy; (c) To adopt a compensation package combination that matches the size of the Company and the nature of its activities; and (d) To comply with the provisions of the law by compensating those eligible pursuant to the Compensation Policy, based on their contribution and their efforts to the development of the Company’s business and promotion of its goals, in the short and long term.

- 1.3. The Compensation Policy is a multi-year policy which shall be in effect for a period of three years from the date of its approval. The Compensation Committee and the Board of Directors shall review the Compensation Policy from time to time, as required by the Companies Law. The Compensation Policy shall be re-approved as required by the Companies Law, every three years.

2. The Compensation Policy

2.1. Parameters for Examining the Compensation Terms

In general, the compensation terms for officers shall be examined while taking into consideration, *inter alia*, the following parameters:

- 2.1.1. The education, qualifications, expertise, seniority (in the Company in particular, and in the officer's profession in general), professional experience and achievements of the officer¹;
- 2.1.2. The officer’s position, the scope of his responsibility and previous wage agreements that were signed with him;

¹The term “officer” in this policy will be interpreted in accordance with the definition set out in the Companies Law, from time to time.

- 2.1.3. The officer's contribution to the Company's business, profits and stability;
- 2.1.4. The degree of responsibility imposed on the officer;
- 2.1.5. The Company's need to retain officers who have skills, know-how or unique expertise;
- 2.1.6. The Company has examined the relationship between the terms of service and employment of its officers, which will result from the implementation of this Policy, and the wage of the other employees of the Company (including contractor employees employed at the Company, if employed at the time of approval of the compensation), and, in particular, the relationship to the average wage and median wage of such employment. However, in light of the Company's global nature and the fact that its employees are employed in various countries worldwide, under different terms of employment, the Company believes that in determining compensation for its officers it should make such examination on territorial basis (namely, examining the relationship of the compensation terms of the Company's officers together with the employment terms of its employees/contractor employees on the relevant territory).

Taking the above into consideration, the Compensation committee reviewed separately the average and median wage of the Company's employees in each territory in which the Company operates together with the employment terms of the relevant officers which will result from the implementation of this Policy and decided that the levels of compensation of the officers are within reason and that they will not harm the working relationships in the Company.

2.2. **Wage Comparisons**

- 2.2.1. Prior to approval of a compensation package for an officer, the Company will be entitled to conduct a wage survey that compares and analyses the level of the overall compensation package offered to an officer of the Company with the compensation package for officers in similar positions to that of the relevant officer in other companies of the same type as the Company, which operate on the global market.
- 2.2.2. In the event that the Company decides to conduct a wage survey, it will be conducted internally or through an external consultant, according to the discretion of the Board of Directors, after receiving a recommendation of the Compensation Committee in this regard.
- 2.2.3. Prior to approval of a compensation package for an officer, the Company will compare the average and median wage of the Company's employees in each territory in which the Company operates to the proposed employment terms of such officer and determine whether the proposed level of compensation is within reason and will not harm the working relationships in the Company.

2.3. **Compensation Terms of Officers**

2.3.1. The Company will do its utmost to approve the compensation terms of new officers prior to the date of commencement of their employment in the Company and not retroactively.

The Company shall be entitled to grant to officers (to all or part of them) a compensation package which may include a base salary, commissions, annual cash bonus and share-based compensation, or any combination thereof.

2.3.2. **Base Salary**

The base salary of a new officer in the Company shall be determined based on the parameters specified in Section 2.1 above and similar to other officers already serving in the Company. The CEO's base salary will not exceed \$240,000 per annum and the other officers' base salary will not exceed \$150,000 per annum.

2.3.3. **Commissions**

In addition to the Base Salary and any other compensation element, the Company shall be entitled to pay to its officers that are involved in the sales process, commissions based on a pre-determined commission plan. The Company believes that in light of the Company's global nature and the fact that its employees that are paid commissions (among them officers) are employed in various countries worldwide, there should be different commission plans where there are common criteria – commissions are paid only upon receipt of funds from the customer and commissions are limited (per annum) to 5 (five) times annual base salary. The VP of Sales and additional officers that are paid commissions will not receive any annual bonuses.

2.3.4. **Additional Terms of Compensation Package**

The compensation package may include additional standard benefits such as social benefits, car allowance, mobile allowance, reimbursement of expenses, advanced notice for termination of employment, medical insurance, etc.

2.3.5. **Insurance, Exculpation and Indemnification**

The officers of the Company shall be entitled to benefit from the insurance, exculpation and indemnification arrangements, to be approved from time to time by the Company, pursuant to the provisions of the Articles of Association of the Company and applicable law.

(a) Insurance

The Company may provide "Directors' and Officers' Liability Insurance" (the "Insurance Policy") for the benefit of the Company and its affiliates and/or for the benefit of the directors and Executive Officers thereof, who shall serve from time to time, according to the following guidelines:

- a. The limit of liability of the insurer shall not exceed \$5 million per claim and in the aggregate for the term of the policy and an additional limit of liability, exceeding the limit of liability in the policy, for defense costs in compliance with Section 66 of the Israeli Insurance Contract Law, 1981, with the maximum excess fee being \$1.5 million;
 - b. The Insurance Policy, as well as the limit of liability and the premium for each extension or renewal, shall be approved by the Compensation Committee, which shall determine whether (i) the sums are reasonable considering the Company's exposures, the scope of coverage and market conditions; (ii) the Insurance Policy reflects then prevailing market conditions and would not materially affect the Company's profitability, assets or liabilities; and (iii) such renewal, extension or substitution is for the benefit of the Company and the officers and directors of the Company and its affiliates, as applicable. In any event, the annual premium shall not exceed \$150,000, subject to increase of the premium by up to 10% per year;
 - c. The insurance terms and conditions will be the subject of negotiations between the Company and the insurer (and, if deemed necessary by the Company, alternative quotation(s) will be considered);
 - d. The insurance coverage may be extended to indemnify the Company for losses it may incur that derive from a claim against it concerning a wrongful act of the Company alleging a breach of the securities laws. The policy may include priorities for payment of any insurance proceeds pursuant to which the rights of the directors and officers to receive indemnity from the insurer takes precedence over the right of the Company itself.
- (b) Should a change in profile risk or control of the Company occur, the Company shall be entitled, subject to the approval of the Compensation Committee, to the following:
- a. To purchase an insurance coverage for wrongful acts occurring before the effective date of the change (the "Run-Off Coverage") of up to seven (7) years, from the same insurer or any other insurer, in Israel or overseas;
 - b. The limit of liability of the insurer shall not exceed \$10 million per claim and in the aggregate for the term of the policy and an additional limit of liability exceeding the limit of liability in the policy for defense costs in compliance with Section 66 of the Israeli Insurance Contract Law, 1981, with the maximum excess fee being \$1.5 million;
 - c. The Run-Off Coverage, as well as the limit of liability and the premium for each extension or renewal, shall be approved by the Compensation Committee which shall determine whether (i) the sums are reasonable considering the Company's exposures, the scope of coverage and market conditions and (ii) the Run-Off Coverage reflects the prevailing market conditions and would not materially affect the Company's profitability, assets or liabilities.
- (c) Any other insurance coverage purchased by the Company may be extended to include directors and officers as additional insureds, provided that such extension will not result in an additional premium.
- (d) Indemnification

The Company may indemnify its directors and Officers to the fullest extent permitted by applicable law, for any liability and expense that may be imposed on the director or Officer, either retroactively or in advance as provided in the Indemnity Agreement between such individual and the Company, all subject to applicable law and the Company's articles of association, each as may be amended from time to time.

(e) Exculpation

The Company may exempt its directors and Executive Officers, either retroactively or in advance as provided in the Indemnity Agreement between such individual and the Company, for all or any of their liability for damage in consequence of a breach of the duty of care toward the Company, to the fullest extent permitted by applicable law and the Company's articles of association, each as may be amended from time to time.

The Insurance Policy, indemnification and exculpation shall be subject to any additional approvals as may be required under any applicable law.

2.3.6. Advance Notice

The advance notice period shall be limited to sixty days.

2.3.7. Retirement Terms

2.3.7.1. The retirement terms will be the minimum terms as per applicable law.

2.3.7.2. In the event that the terms of service of the officer include retirement grants, the amount or value of a retirement grant shall not exceed 6 times such officer's monthly base salary. The payment and amount of such retirement grant shall be subject to the relevant officer's period of employment, his term of employment during such period, the Company's performance during such period, said officers' contribution to the obtaining of the Company's goals and revenues during said period, and the circumstances of retirement.

2.3.8. Annual Cash Bonus

The compensation package of officers may include an annual cash bonus based on measurable and non-measurable criteria as set forth hereunder (the "**Bonus**") and as customary in the industry in which companies having similar characteristics to those of the Company operate.

In the event that officers are eligible for a Bonus, pursuant to the terms of employment, the Bonus shall be subject to the following:

2.3.8.1. The Bonus will be based mainly (at least 80%) on measurable criteria, and, with respect to its less significant part (up to 20%), at the Board of Directors' and Compensation Committee's discretion based on non-measurable criteria, all as set forth hereunder.

2.3.8.2. Measurable Criteria for the Bonus, may include, among others

- Financial targets – bonus based on the Company's net profit
- Compliance with milestones (as relevant for each officer)
- Productivity indices and growth in the volume of activity
- Cost savings
- Implementation and promotion of planned projects
- Promoting strategic targets that will benefit the Company in the future

At the beginning of each year, the Compensation Committee and the Board of directors shall adopt a specific bonus plan for the coming year, based on the foregoing criteria. Such a plan shall include, inter alia, the chosen measurable criteria for the coming year, the targets that need to be obtained with respect to said criteria, thresholds under which no bonuses shall be paid, bonuses budget and the amount of bonuses to be paid in relation to attainment of targets, etc.

2.3.8.3. Non-Measurable Criteria for the Bonus

The Company is entitled to determine, in its sole discretion, that an insignificant component, which does not exceed 20% of the Bonus, will be determined according to non-measurable criteria, as set forth below:

- The contribution of the officer to the Company's business, its profitability and stability;
- The need for the Company to retain an officer with skills, know-how, or unique expertise;
- The responsibility imposed on the officer;
- Changes that occurred in the responsibility imposed on the officer during the year;
- Satisfaction with the officer's performance (including assessing the degree of involvement of the officer and devotion of efforts in the performance of his duties);

The Compensation Committee and the Board of Directors will consider and approve this component, based, *inter alia*, on the recommendation and personal assessment given by the official who is in charge of the officer, specifying the relevant reasons underlying the recommendation.

2.3.8.4. The CEO annual bonus will be 5% of the Company's net profit if the annual net profit is over 70% of the one defined in the previously approved budget. In addition, the Compensation Committee and Board may grant an annual bonus of up to 2 monthly base salaries, based on their discretion, subject to the limitations in 2.3.9.4.

2.3.8.5. The Board of Directors shall have discretion to reduce the amount of Annual Bonus to officers.

2.3.9. Share Based Compensation

2.3.9.1. The Company shall be entitled to grant to officers options or any other share-based compensation ("**Share-based Compensation**"), pursuant to an equity plan as adopted or shall be adopted, from time to time and subject to any applicable law.

2.3.9.2. At the time of the grant, the value of a Share-based Compensation shall be calculated ("**Grant Value**"), in accordance with the accumulated cost that will be recorded in its respect in the Company's books.

- 2.3.9.3. In any event, the aggregate Annual Cash Bonus and the Grant Value for all of the officers of the Company as a group shall not exceed 10% of the annual net profit.
- 2.3.9.4. The ratio between the aggregate Annual Cash Bonus and Grant Value, for each officer of the Company and the Base Salary of each officer (including the CEO and an active chairman of the board of directors) shall not exceed 12 times such officer's monthly base salary.
- 2.3.9.5. Any award granted under a share incentive plan will have a four-year vesting schedule, such that 50% of the award will vest on the second anniversary of the grant date and 25% of the award will vest on each of the third and fourth anniversaries of the grant date.
- 2.3.9.6. When discussing the grant of a Share-based Compensation to an officer of the Company, the Compensation Committee and the Board of Directors shall consider whether the aforesaid grant is a suitable incentive for increasing the Company's value in the long term, the economic value of the grant, the exercise price and the other terms.
- 2.3.10. Term of Employment Agreements
An employment agreement of an officer will be either ongoing with a notice period or will be for a fixed term that does not exceed 3 (three) years. Upon the expiry of an employment agreement, the agreement may be extended subject to the provisions of Section 2.4 below.
- 2.3.11. Claw Back
Officers shall be required to repay the Company any excess payments made to them which were based on the Company's performance if such payments were paid based on erroneous financial statements of the Company, provided that a restatement to the Company's financial statements was made within three years following such falsely based payment. To the extent required by applicable stock exchange rules, the Compensation Committee and Board of Directors shall adopt a more detailed claw-back policy that complies with such rules. In the event of any contradiction between this section and such claw-back policy, such claw-back policy shall govern.

2.4. **Extension of Existing Agreements with Officers**

- 2.4.1. Prior to approval of the extension of an employment agreement of an officer, the officer's existing compensation package shall be reviewed and considered based on the parameters set forth in Section 2.1 above.
- 2.4.2. In the event that an extension of an employment agreement with an officer involves a change in his or her employment terms, the Compensation Committee will examine whether: (a) the change is considered a "material change" compared to current employment terms; and whether (b) such change is in compliance with the Company's Compensation Policy, for the purpose of identifying the Company's organs required to approve such change.

2.5. **Compensation of Directors**

- 2.5.1. The compensation of the Company's directors (including outside directors and independent directors) shall be within the permitted payment ranges stipulated under the Companies Regulations (Rules Regarding the Compensation and Expenses of an External Director), 5760-2000 (“**Compensation of Directors Regulations**”), as they shall be from time to time.

3. **General**

The Compensation Committee and the Board of Directors shall, from time to time, review the Compensation Policy as well as the need to adjust it, based, *inter alia*, on the considerations and guidelines set forth in this policy. In so doing, they will conduct an examination of changes in the Company's goals, market conditions, the Company's profits and revenues in previous periods and in real time, and any other relevant factors.

LIST OF SUBSIDIARIES

Name of Subsidiary	Jurisdiction of Incorporation
MIND Software SRL	Romania
MIND Software, Inc.	Delaware
MIND Software Limited	United Kingdom
MIND CTI GmbH	Germany
Message Mobile GmbH	Germany
Aurenz GmbH	Germany

Certification of Principal Executive Officer pursuant to 17 CFR 240.13a-14(a),
as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002

I, Ariel Glassner, certify that:

1. I have reviewed this annual report on Form 20-F of MIND C.T.I. Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 18, 2026

/s/ Ariel Glassner
Ariel Glassner
Chief Executive Officer
(Principal Executive Officer)

Certification of Principal Financial Officer pursuant to 17 CFR 240.13a-14(a),
as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002

I, Arie Abramovich, certify that:

1. I have reviewed this annual report on Form 20-F of MIND C.T.I. Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 18, 2026

/s/ Arie Abramovich
Arie Abramovich
Chief Financial Officer
(Principal Financial Officer)

Certification of Principal Executive Officer pursuant to 18 U.S.C. § 1350,
as adopted pursuant to § 906 of the Sarbanes-Oxley Act

In connection with the annual report on Form 20-F for the fiscal year ended December 31, 2025 of MIND C.T.I. Ltd. (the “Company”) as filed with the U.S. Securities and Exchange Commission (the “Commission”) on the date hereof (the “Report”) and pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Ariel Glassner, certify that:

- the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 18, 2026

/s/ Ariel Glassner

Ariel Glassner

Chief Executive Officer

(Principal Executive Officer)

Certification of Principal Financial Officer pursuant to 18 U.S.C. § 1350,
as adopted pursuant to § 906 of the Sarbanes-Oxley Act

In connection with the annual report on Form 20-F for the fiscal year ended December 31, 2025 of MIND C.T.I. Ltd. (the “Company”) as filed with the U.S. Securities and Exchange Commission (the “Commission”) on the date hereof (the “Report”) and pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Arie Abramovich, certify that:

- The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 18, 2026

/s/ Arie Abramovich
Arie Abramovich
Chief Financial Officer
(Principal Financial Officer)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated March 18, 2026, with respect to the consolidated financial statements included in the Annual Report of MIND C.T.I. Ltd. on Form 20-F for the year ended December 31, 2025. We consent to the incorporation by reference of said report in the Registration Statements of MIND C.T.I. Ltd. on Forms S-8 (File No. 333-181383; File No. 333-117054; File No. 333-100804 and File No. 333-54632).

/s/ FAHN KANNE & CO. GRANT THORNTON ISRAEL

Certified Public Accountants (Isr.)

Tel Aviv, Israel

March 18, 2026
