



MATRIX I.T. LTD.

Quarterly Report as at
31 March 2024
(Unaudited)



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CHAPTER A

Board of Directors' Report for the three months ended March 31, 2024

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

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

1.1 Main data from the Description of the Corporation's Business

1.1.1 Description of operating segments

Matrix IT Ltd., together with its subsidiaries, is a company operating in the fields of information technology (IT) solutions and services, consulting, and management.

The Matrix Group employs approximately 11,200 software, hardware, engineering, integration, and training personnel, who provide services in advanced fields of information and management technology to hundreds of customers in the Israeli market.

The Company is engaged in five fields: (1) Information technology solutions and services, consulting, and management in Israel ("**IT, Consulting, and Management Solutions in Israel**"); (2) information technology solutions and services in the United States ("**IT Solutions in the US**"); (3) sales, marketing, and support of software products ("**Software Products**"); (4) Cloud Infrastructures and Computing; and (5) **Training and Implementation**. These provide solutions, services, and products mainly to the following customer segments ("**segments**"): Banking and finance, high-tech and startups, government and the public sector, defense, transportation, health, industry, retail and trade, education and academia. Unique divisions operate in each one of these sectors, specializing in providing specific solutions to the particular sector in which they operate, as well as managing and carrying out projects for the Company's lateral entities.

The specialization in the various sectors is reflected in the applicative, professional, and marketing facets of that sector. Accordingly, a professional and marketing infrastructure is developed in each sector which is required to support such sector.

1.1.2 Business Environment

The business environment in which the Company operates is directly affected by global and local trends and events, the most important of which will be presented below. For additional details regarding the Company's business environment, see section 1.1.2 of the Board of Directors' Report as at December 31, 2023, and section 6 of the chapter on the Description of the Corporation's Affairs in the 2023 Periodic Report.

Global Economic Environment

As of the date of this report, the global economy continues to face the consequences of rising inflation, rising interest rates, and low growth. In the US, inflation is 3.5% (March 2024, in annual terms based on the last 12 months (LTM)), reflecting a slight increase from the December 2023 inflationary rate but a significant decrease compared to the corresponding quarter last year.

The US Federal Reserve Bank interest rate is 5.5% and remains unchanged since the end of 2023.

At the same time, there are still concerns of another outbreak of inflation. This follows, *inter alia*, the potential impact of the widening of the war in Israel to conflict with Iran, Houthi terrorism from Yemen on the costs of transport and transportation (the lengthening of shipping routes) and the effect of the Russia-Ukraine war on merchandise and energy prices. Consequently, based on the most recent forecasts, the Federal Reserve Bank is expected to cut the interest rate later than the forecasted at the end of 2023.

Israel Economic Environment

Israel is experiencing one of the most complex and challenging periods in its history.

The Iron Swords War broke out on October 7, 2023, following a murderous attack by the terrorist organization Hamas on communities surrounding Gaza and other communities in the south of the country, that has claimed the lives of over 1,400 Israelis and injured thousands more. In addition, over 130 Israeli citizens and soldiers are classified as hostages. The war expanded also to the north of Israel and has also impacted the country's center as well as Israel's civilian population. In the course of the war, more than one hundred thousand Israelis have been evacuated from their homes for an unknown period.

In recent months, the war on the northern front against the Hezbollah terrorist organization has intensified. Subsequent to the reporting date, Iran launched a direct attack on the State of Israel, unleashing a barrage of hundreds of ballistic missiles, cruise missiles, and drones. The attack was intercepted by air defense systems in collaboration with other countries, including the United States and Jordan.

The security situation, by nature, directly affects the state of the economy and economic activity in Israel. Due to the continued fighting and its consequences, in the first quarter of 2024, the global credit rating agency Moody's downgraded Israel's credit rating from A1 (stable outlook) to A2 (negative outlook). Subsequent to the date of the financial report, and against the background of the intensifying conflict with Iran, the global credit rating agency S&P downgraded Israel's credit rating from AA- to- A+.

The continuation of the war has a negative effect on Israel's geopolitical situation, including trade agreements and bilateral collaboration. Thus, for example, subsequent to the reporting date, Turkey (which has an estimated annual trade volume with Israel of USD 6.5 billion) announced its decision to suspend trade with Israel.

Even before the outbreak of the war, the Israeli economy faced high inflation and rising interest rates, against the background of the legal reform and the wave of social protests that arose in its wake. These trends moderated slightly toward the end of 2023 and in the first quarter of 2024. In January 2024, the Bank of Israel lowered the interest rate to 4.5% and this rate remains unchanged as at the reporting date. The trend in the CPI started to moderate toward the end of 2023 and this moderation continued in the first quarter of 2024, however the March 2024 CPI rose by 0.6%, and as a result, the annual rate of inflation is currently 2.7%. Accordingly, Bank of Israel revised the annual inflation forecast from 2.4% to 2.7%.

We note that, even in Israel, there is a continued concern over the resurgence of inflationary pressures, among other things following the Iron Swords War and the additional expenditures that are likely to be incurred by the country as a result, the widening of the war into a direct conflict with Iran, and a possible effect on the prices of goods, maritime traffic (including the attacks of the Houthis from Yemen) and the exchange rates of the main currencies against the shekel.

Effect on the Company's Operations Results

Despite the limited negative impact of the war on the Company's results (the majority of which was during the fourth quarter of 2023 because of the large number of employees who were called up to active reserve duty, and only partial reimbursement from the government for their wages¹), **the Company's activity in the first quarter of 2024 was characterized by the continued increase in activity volumes, revenues, profit, and cashflow as a result of organic growth.**

As at the date of the financial statements, and as at the reporting date, approximately 165, and approximately 175 of the Company's employees (respectively) are on active reserve duty, such that the impact of the expected partial government reimbursement for them during the first quarter of the year is immaterial.

¹ In this regard, it should be noted that on May 1, 2024, subsequent to the date of the financial statement, the National Insurance Regulations (Indemnification of Employers for the Period of Emergency Reserve Duty) (Temporary Order – Iron Swords), 2024, (the "Regulations"), were published. The purpose of the Regulations is to indemnify employers retroactively for pension contributions for employees who were called up for reserve duty under an emergency order (Tzav 8) after October 7, 2023, until December 31, 2024. In accordance with the Regulations, the indemnity (retroactive) will be up to 20% of the reserve duty compensation. It is expected that the Company will be entitled to indemnification.

The Company believes that the continuation of the war and/or its escalation to other fronts, could have significant negative consequences on the Israeli economy in general and on the Company's operations in particular.

For further information about the possible effect if the war continues or intensifies, including mitigating factors for these potential effects that are inherent in the Company's operations, see section 1.1.2 of the Board of Directors' Report for December 31, 2023 published as part of the Periodic Report for 2023.

The above information in this section regarding the Company's assessments of the consequences of the war on the Israeli market and on its operations, the consequences and effects of the ongoing war, and its full impact and consequences which have yet to be ascertained, is forward-facing information, as defined in the Securities Law, 5578-1968 ("Securities Law"), based on the management's estimates and its business experience and assumptions, various scenarios, analyses, and publicly available information, as well as assessments by research companies and analysts as at the date of this report. The information may not materialize, in whole or in part, or materialize differently, including materially differently than expected, *inter alia*, as a result of high uncertainty, economic instability, and developments that cannot be assessed at this time in connection with the war, its duration, intensity, and impact, including in relation to the functioning of the economy and the home front, as a result of competition in the market, economic slowdown or instability in the economy, and as a result of the realization of all or part of the risk factors appearing in section 19 of the periodic report.

1.1.3 Material events during the reporting period

Extension of the period of the Commercial Securities ("NAAM")

Further to section 13.7 of Part A of the Company's Periodic Report for 2023 and Note 10C to the Company's consolidated financial statements for 2023, regarding commercial securities (non-marketable) issued by Company and renewable every three months (the "Commercial Securities"), in March 2024, the Company received the approval of the holders to extend the period of the Commercial Securities, under the same terms, for a total cumulative period of another five years, such that the final payment will be on November 29, 2029.

1.1.4 Summary of the statements of consolidated profit for the three months ending March 31, 2024, and 2023 (In NIS thousands)

	For the three months ended	For the three months ended	Change in %
	31/03/2024	31/03/2023	
Sales	1,453,713	1,291,153	12.6%
Cost of sales and services	1,246,570	1,102,535	13.1%
Gross profit	207,143	188,618	9.8%
% of sales	14.2%	14.6%	
Selling and marketing expenses	51,048	45,176	13.0%
General and administrative expenses	45,417	41,977	8.2%
Operating profit	110,678	101,465	9.1%
% of sales	7.6%	7.9%	
Financing expenses	16,586	16,891	(1.8%)
Profit before taxes on income	94,092	84,574	11.3%
Taxes on income	22,670	19,228	17.9%
Net income	71,422	65,346	9.3%
% of sales	4.9%	5.1%	
Net earnings attributable to			
Company shareholders	68,646	60,740	13.0%
Non-controlling interests	2,776	4,606	(39.7%)
Net income	71,422	65,346	9.3%
% of sales	4.9%	5.1%	
EBITDA ²	157,484	148,763	5.9%
% of sales	10.8%	11.5%	

² Earnings before financing, taxes, depreciation, and amortization

1.2 Analysis of Results of Operations

1.2.1 Seasonality

In the first quarter of the year, the number of working hours was 1.6% less compared with the corresponding period last year. For information about the seasonality involved in the Company's operations, see *also* section 9 of the Report on the Corporation's Business in the Periodic Report.

1.2.2 Consolidated Analysis of Profit and Loss

1) Sales

The Company's sales in the first quarter amounted to NIS 1,453.7 million compared to NIS 1,291.2 million in the corresponding quarter last year, an increase of approximately 12.6% - entirely as the result of organic growth. The increase in sales in the first quarter compared with the corresponding quarter last year is due to the increase in the scope of activity in all segments, except for the decrease in the training and implementation segment.

2) Gross profit

Gross profit in the quarter amounted to a record NIS 207.1 million (14.2% of sales), compared with NIS 188.6 million in the corresponding quarter last year (14.6% of sales), an increase of 9.8%. The increase in total gross profit in the quarter is due to the increase in the volume of the Company's sales.

3) Selling, marketing, administrative, and general expenses

Selling and marketing, administrative and general expenses in the first quarter amounted to NIS 96.4 million (6.6% of sales), compared with NIS 87.2 million in the corresponding quarter last year (6.8% of sales). The increase in selling and marketing expenses is due to an increase in the scope of activity. It should be noted that selling expenses include an amount of NIS 5.5 million (compared with NIS 6 million in the corresponding quarter last year) for amortization of intangible assets arising from business combinations.

Administrative and general expenses include an amount of NIS 4.5 million (compared with an amount of NIS 2.8 million in the corresponding quarter last year) in expenses for "Share Based Payment compensation" for officers and executives.

4) Operating profit

Operating profit in the first quarter amounted to a record NIS 110.7 million (approximately 7.6% of sales) compared to NIS 101.5 million in the corresponding quarter last year (approximately 7.9% of sales), an increase of 9.1% that was entirely a result of organic growth.

The increase in operating profit in the first quarter compared to the corresponding quarter last year is attributed to growth in profit in all sectors, except for a decrease in the training sector.

5) Financing expenses/income (net)

Financing expenses (net) in the quarter amounted to NIS 16.6 million compared with financing expenses (net), in the amount of NIS 16.9 million in the corresponding quarter last year, a decrease of NIS 0.3 million.

The following is a breakdown of the financing expenses (in NIS thousands):

	For the three months ended	For the three months ended	
	31/03/2024	31/03/2023	Change
Interest, commissions, and other (net)	7,640	11,974	(4,334)
Exchange rate differences	2,522	(1,721)	4,243
Accounting finance expenses*	6,424	6,638	(214)
Total financing expenses (net)	16,586	16,891	(305)

* Finance expenses in respect of leases, adjustments for put options for non-controlling interests in subsidiaries, and adjustments of actuarial obligations to employees.

As set out above, the decrease in financing expenses in the first quarter, compared with the corresponding quarter last year, is due to a decrease in interest expenses on the Company's financial obligations (net of revenues from interest on investments and deposits), mainly due to the ongoing decrease in the amount of the Company's financial debt. The decrease in net interest expenses was partially offset by the recording of expenses for exchange differences in the quarter, compared with revenues from exchange differences recorded in the corresponding quarter last year.

6) Taxes on income

Tax expenses in this quarter amounted to NIS 22.7 million (approximately 24.1% of pretax profit) compared to NIS 19.2 million (approximately 22.7% of pretax profit) in the corresponding quarter.

The increase in tax expenses is due to an increase in profit. The increase in the Company's effective tax rate in the first quarter, compared with the corresponding quarter last year, is mainly due to an increase in the amount of accounting costs that are non-tax deductible.

7) Net profit

Net earnings in the first quarter amounted to a record NIS 71.4 million (approximately 4.9% of sales) compared to NIS 65.3 million in the corresponding quarter last year (approximately 5.1% of sales), an increase of 9.3%.

8) Net income attributed to Company shareholders

Net earnings attributed to shareholders in the first quarter amounted to a record NIS 68.6 million (approximately 4.7% of sales) compared to NIS 60.7 million in the corresponding quarter last year (approximately 4.7% of sales), an increase of 13.0%.

9) Total earnings (in NIS thousands)

	For the three months ended	For the three months ended
	31/03/2024	31/03/2023
Net earnings	71,422	65,346
Other comprehensive income (after the effect of taxes):		
Profit (loss) from remeasurement for defined benefit plans	790	1,250
Change in fair value of instruments used in cashflow hedging	77	(628)
Exchange differences on translation of foreign operations	4,829	9,027
Total comprehensive earnings	77,118	74,995

10) Earnings before interest, taxes, depreciation and amortization - EBITDA (in NIS thousands)

The EBITDA figure is included in the Report due to its being an accepted index for measuring the results of activity in similar companies, which is an approximation of operating income flows, which cancels the effect from the operating income expenses not involving cash flows, such as depreciation and amortization expenses, including due to intangible assets acquired in business combinations.

Below are the EBITDA and adjusted EBITDA, net of IFRS 16

	For the three months ended	For the three months ended	Change in %
	31/03/2024	31/03/2023	
Operating profit	110,678	101,465	
Depreciation and amortization	46,806	47,298	
EBITDA	157,484	148,763	5.9%
% of total sales	10.8%	11.5%	
net of depreciation expenses IFRS 16 ³	32,675	32,850	
EBITDA net of IFRS 16	124,809	115,913	7.7%
% of total sales	8.6%	9.0%	

³ In accordance with International Financial Reporting Standard Leases IFRS16 (presented under depreciation and financing expenses).

11) Earnings per share attributable to the Company's shareholders (in NIS thousands)

	For the three months ended	For the three months ended
	31/03/2024	31/03/2023
Diluted net earnings per share attributable to the Company's shareholders	1.09	0.96

1.2.3 Summary of consolidated profit and loss results by operating segment for the three months ended March 31, 2024 and 2023 (in NIS Thousands)

	For the three months ended	For the three months ended	Change in %
	31/03/2024	31/03/2023	
Revenues according to operating segment			
Information technology solutions and services, consulting, and management in Israel ⁽¹⁾	794,264	736,005	7.9%
Information technology solutions and services in the United States ⁽²⁾	118,690	107,870	10.0%
Marketing and support for software products	97,351	62,480	55.8%
Cloud infrastructures and computing	437,782	375,184	16.7%
Training and implementation	47,095	51,115	(7.9%)
Inter-segmental adjustments	(41,469)	(41,501)	
Total revenues	1,453,713	1,291,153	12.6%
Operating profit			
Information technology solutions and services, consulting, and management in Israel ⁽¹⁾	61,589	54,230	13.6%
Information technology solutions and services in the United States ⁽²⁾	16,969	14,705	15.4%
Marketing and support for software products	7,359	5,237	40.5%
Cloud infrastructures and computing	27,630	23,169	19.3%
Training and implementation	1,738	6,704	(74.1%)
Inter-segmental adjustments	(4,607)	(2,580)	
Operating profit	110,678	101,465	9.1%

⁽¹⁾ Including immaterial operations in Europe

⁽²⁾ Including immaterial operations in Canada

	For the three months ended	For the three months ended
	31/03/2024	31/03/2023
Operating profit amount		
Information technology solutions and services, consulting, and management in Israel ⁽¹⁾	7.8%	7.4%
Information technology solutions and services in the United States ⁽²⁾	14.3%	13.6%
Marketing and support for software products	7.6%	8.4%
Cloud infrastructures and computing	6.3%	6.2%
Training and implementation	3.7%	13.1%
Operating profit percentage	7.6%	7.9%
	For the three months ended	For the three months ended
	31/03/2024	31/03/2023
Revenues according to operating segment		
Information technology solutions and services, consulting and management in Israel ⁽¹⁾	53.2%	55.2%
Information technology solutions and services in the United States ⁽²⁾	7.9%	8.1%
Marketing and support for software products	6.5%	4.7%
Cloud infrastructures and computing	29.3%	28.2%
Training and implementation	3.1%	3.8%
Total revenues in percentages	100%	100%
	For the three months ended	For the three months ended
	31/03/2024	31/03/2023
Contribution to operating profit according to operating segments		
Information technology solutions and services, consulting and management in Israel ⁽¹⁾	53.4%	52.1%
Information technology solutions and services in the United States ⁽²⁾	14.7%	14.1%
Marketing and support for software products	6.4%	5.1%
Cloud infrastructures and computing	24.0%	22.3%
Training and implementation	1.5%	6.4%
Total contribution in percentages	100%	100%

⁽¹⁾ Including immaterial activity in Europe

⁽²⁾ Including immaterial operations in Canada

	For the three months ended	For the three months ended	Change in %
	31/03/2024	31/03/2023	
Geographic information			
Revenues			
Revenues from customers in Israel	1,355,242	1,205,301	12.4%
Revenues from customers in the United States	118,690	107,870	10.0%
Revenues from customers in Europe	21,250	19,483	9.1%
Inter-segmental adjustment	(41,469)	(41,501)	
Total revenues	1,453,713	1,291,153	12.6%
Operating profit			
Operating profit from customers in Israel	96,507	87,605	10.2%
Operating profit from customers in the United States	16,969	14,705	15.4%
Operating profit from customers in Europe	1,809	1,735	4.3%
Inter-segmental adjustment	(4,607)	(2,580)	
Total operating profit	110,678	101,465	9.1%
		For the three months ended	For the three months ended
		31/03/2024 percentage	31/03/2023 percentage
Geographical revenues			
Revenues from customers in Israel		90.7%	90.4%
Revenues from customers in the United States		7.9%	8.1%
Revenues from customers in Europe		1.4%	1.5%
Total revenues in percentages		100%	100%
Geographical operating profit			
Operating profit amount in Israel		7.1%	7.3%
Operating profit amount in United States		14.3%	13.6%
Operating profit amount in Europe		8.5%	8.9%
Operating profit percentages		7.6%	7.9%
Geographical contribution to operating profit			
Operating profit in Israel		83.7%	84.2%
Operating profit in United States		14.7%	14.1%
Operating profit in Europe		1.6%	1.7%
		100%	100%

1.2.4 Analysis of operating results by operational segments

Information technology solutions and services, consulting, and management in Israel

Revenues

The information technology solutions and services, consulting, and management in Israel sector's revenues in this quarter amounted to NIS 794.3 million, compared to NIS 736 million in the corresponding quarter last year, an increase of approximately 7.9%.

Operating profit

The segment's operating profit in this quarter amounted to NIS 61.6 million (approximately 7.8% of the segmental revenues), compared to NIS 54.2 million (approximately 7.4% of the segmental revenues) in the corresponding quarter last year, an increase of approximately 13.6%.

The increase in revenues in the first quarter, compared to the corresponding quarter last year, derives from organic growth in the scope of operations and profit in all areas of the segmental operations, with emphasis on core systems, expert services, cyber, and defense systems.

Information technology solutions and services in the United States

Revenues

The information technology solutions and services in the United States sector's revenues in this quarter amounted to NIS 118.7 million, compared to NIS 107.9 million in the corresponding quarter last year, an increase of approximately 10%.

Operating profit

The segment's operating profit in this quarter amounted to NIS 17 million (approximately 14.3% of the segmental revenues), compared to NIS 14.7 million (approximately 13.6% of the segmental revenues) in the corresponding quarter last year, an increase of approximately 15.4%.

The growth in revenues in the first quarter, compared to the corresponding quarter last year, derives from continued growth in the scope of segmental operations. The improvement in segmental profit derives primarily from an increase in the scope of operations accompanied by a high utilization of employees and an increase in sales transactions for software products compared to the corresponding quarter last year.

For the convenience of the analysis and to offset the external effects of fluctuating exchange rates, the segment results are also presented below in USD (USD millions):

	For the three months ended	For the three months ended	Change in %
	31/03/2024	31/03/2023	
Revenues	32.4	30.5	6.3%
Operating profit	4.6	4.2	10.3%
Rate of profit	14.3%	13.6%	

Marketing and support of software products

Revenues

The marketing and support of software products segmental revenues in this quarter amounted to NIS 97.4 million, compared to NIS 62.5 million in the corresponding quarter last year, an increase of approximately 55.8%.

Operating profit

The segment's operating profit in this quarter amounted to NIS 7.4 million (approximately 7.6% of the segmental revenues), compared to NIS 5.2 million (approximately 8.4% of the segmental revenues) in the corresponding quarter last year, an increase of approximately 40.5%.

The increase in segment revenue and operating profit, alongside the decrease in the rate of operating profit, are due to an increase in the scope of segment operations, alongside changes in the transactions mix.

Cloud infrastructure and computing

Revenues

The cloud infrastructures and computing segmental revenues in this quarter amounted to NIS 437.8 million, compared to NIS 375.2 million in the corresponding quarter last year, an increase of approximately 16.7%.

Operating profit

The segment's operating profit in this quarter amounted to NIS 27.6 million (approximately 6.3% of the segmental revenues), compared to operating profit in the amount of NIS 23.2 million (approximately 6.2% of the segmental revenues) in the corresponding quarter last year, an increase of approximately 19.3%.

The increase in revenues and operating profit in the first quarter compared with the corresponding quarter are due to an increase in the volume of segment operations, mainly selling, marketing, and integration of computer systems.

Training and implementation

Revenues

The training and implementation segmental revenues in this quarter amounted to NIS 47.1 million, compared to NIS 51.1 million in the corresponding quarter last year, an increase of approximately 7.9%.

Operating profit

The segment's operating profit in this quarter amounted to NIS 1.7 million (approximately 3.7% of the segmental revenues), compared to NIS 6.7 million (approximately 13.1% of the segmental revenues) in the corresponding quarter last year, a decrease of approximately 74.1%.

The decrease in segment revenue and operating profit in the first quarter, compared with the corresponding quarter last year, reflects the continued downward trend in demand for training, against the background of the decrease in demand for high-tech employees. In this regard, it should be noted that the training and implementation segment represents less than 4% of the volume of the Company's operations (3.1% of the volume of revenues in the first quarter) and that, in general, retrenchment in high-tech companies has a positive effect on the ability to recruit and retain employees and to stagnate pressure for salary increases in the Company as a whole.

1.2.5 Engagements and special events

Distribution of dividend

Date of distribution	Dividend amount per share (in agorot)	Amount of dividend (NIS millions)
15/4/2024	127	80.67*

* For the profits of the second half of 2023

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

Affirmation of issuer rating

On March 28, 2024, Midroog confirmed an Aa3 il issuer rating with a stable outlook.

1.3 Financial position, liquidity, and financing sources

Analysis of the financial position as at March 31, 2024

Balances of liquid assets and financial indices (in NIS thousands)

	31/03/2024	31/12/2023	Change
Cash and cash equivalents	560,833	640,208	(79,375)
Short-term credit	(514,068)	(487,917)	(26,151)
Long-term credit	(399,679)	(468,456)	68,777
Net debt – short-term and long-term credit, net of cash and cash equivalents	(352,914)	(316,165)	(36,749)
Balance sheet total	4,089,478	4,084,180	5,298
Ratio of net debt to balance sheet	8.6%	7.7%	
Current ratio	1.1	1.2	
Retained earnings	654,744	665,981	(11,237)
Total equity attributable to shareholders	1,029,353	1,048,587	(19,234)
Ratio of shareholder equity to balance sheet	25.2%	25.7%	

Summary of consolidated statements of financial position (in NIS thousands)

	31/03/2024	31/12/2023	Change
Assets:			
Cash and cash equivalents	560,833	640,208	(79,375)
Trade receivables and unbilled receivables, net	1,726,842	1,676,969	49,873
Inventory	120,192	146,089	(25,897)
Goodwill	921,839	918,829	3,010
Intangible assets	92,950	98,405	(5,455)
All other assets (property, plant, and equipment, right-of-use assets, etc.)	666,822	603,680	63,142
Total assets	4,089,478	4,084,180	5,298
Liabilities:			
Short-term credit from banks and other credit providers	913,747	956,230	(42,483)
Trade payables	653,865	784,599	(130,734)
Deferred revenues	407,550	298,908	108,642
Leasing liabilities	230,347	215,756	14,591
Liabilities for options to holders of non-controlling interests and contingent liabilities for business combination	116,419	91,907	24,512
All other liabilities	684,140	629,308	54,832
Total liabilities	3,006,068	2,976,708	29,360

In the first quarter, there was no material change in the total assets of the Company. This reflects, among other things, an increase in trade receivables, due to the increase in the volume of operations, which was partly offset by a decrease in the amount of cash and cash equivalents – mainly due to continuation of net repayment of loans and debentures in the period, and a decrease in inventory.

The increase in total liabilities is due to an increase in deferred revenues (mainly advanced payments from customers in long-term transactions), which was offset by a decrease in liabilities to suppliers and a decrease in the amount of credit from financial institutions and other credit providers (continuation of the decrease in the Company's financial debt).

Summary statements of cash flow (in NIS thousands)

	For the three months ended 31/03/2024	For the three months ended 31/03/2023
Cashflows from current operations		
Net income	71,422	65,346
Adjustments to profit and loss items	82,617	89,134
Changes in assets and liabilities items	(107,289)	(157,964)
Cash paid and received for interest and taxes, net	(48,573)	(45,980)
Net cash from (used for) current operations	(1,823)	(49,464)
Cash flow from investment activities		
Acquisition of property, plant, and equipment	(9,584)	(13,281)
Acquisition of subsidiary	-	(38,034)
Acquisition of noncontrolling interests	(499)	-
Other	977	389
Net cash used in financing operations	(9,106)	(50,926)
Cash flows for financing operations		
Receipt (repayment) of credit, net	(3,982)	(59,423)
Dividend distribution	-	-
Payment of leasing liability	(31,512)	(32,786)
Dividend distribution to minority shareholders	(2,096)	(2,994)
Repayment in respect of issue of debentures to the public	(33,959)	-
Repayment of liabilities in respect of business combinations	-	(2,899)
Net cash used in financing operations	(71,549)	(98,102)

Cashflows from current operations

In the first quarter of 2024, the Company recorded a negative cash flow from operating activities in a negligible amount of NIS 1.8 million, compared with a negative cash flow from operating activities, in the corresponding period last year, amounting to NIS 49.5 million.

The improvement in cash flows from operating activities in the first quarter compared with the corresponding quarter last year is mainly due to changes in working capital (*see also* the sections of the statement of financial position above).

Cashflows from investment operations

The cash flows used for investment activity in the first quarter amounted to NIS 9.1 million, compared with a cash flow of NIS 51 million used for investment activity in the corresponding quarter last year, mainly attributable to acquisition of the subsidiary Zebra.

Cash flows used in financing operations

The cashflows used in financing operations in this quarter amounted to NIS 71.5 million, compared to NIS 98 million in the corresponding quarter last year.

Average short-term credit (NIS in thousands)*

	31/03/2024	31/03/2023
Trade receivables	1,679,559	1,490,574
Trade payables	670,671	550,474

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

The Company finances its operations (including the difference between average customer credit and average supplier credit) using cashflow from current operations, shareholder equity, and credit from financial institutions and debentures.

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

As at March 31, 2024, in the Company's stand-alone statements, there is a shortfall in working capital. In view of this, the Company's Board of Directors has reviewed the Company's financial indicators, its compliance with applicable financial standards, and the Company's existing and expected cash sources and needs. In the assessment of the Board of Directors of the Company, the deficiency in working capital in the stand-alone report does not indicate a liquidity problem. In light of the above, the Company is not required to publish a forecast statement of cashflow.

Summary statements of changes in equity (in NIS thousands)

	31/03/2024	31/03/2023
Opening balance	1,107,472	964,875
Net earnings	71,422	65,346
Dividends declared	(80,673)	(37,478)
Dividends to non-controlling interests	(2,096)	(2,994)
Translation differences	4,906	8,399
Share-based payment	4,488	2,548
Transaction with holders of non-controlling interests	* (22,899)	1,066
Actuarial earnings in respect of a benefit plan	790	1,250
Closing balance	1,083,410	1,003,012

* In the first quarter, the Company entered into a mutual options agreement with a non-controlling shareholder in a subsidiary for the sale and acquisition of the balance of the subsidiary's shares. The transaction was recorded as a transaction with holders of noncontrolling interests in equity.

2. Disclosure Provisions in Connection With the Corporation's Financial Reporting

2.1 Goodwill

The goodwill, as included in the Company's financial statements, is material to the Company's total assets. The goodwill represents the surplus cost of the investment over the balance sheet value in subsidiaries that have been acquired by the Group.

In accordance with generally accepted accounting principles, the Company annually examines for impairment. In addition to annual testing of the need for impairment, during the year, the Company also assesses whether there are indications of impairment.

2.2 Post balance sheet events

Changing auditors

On April 3, 2024, a resolution was passed at the general meeting of the shareholders, on the appointment of the auditing firm BDO Israel as the Company's auditor, starting from the first quarter of 2024, replacing Ernst & Young – Kost Forer Gabbay & Kasierer (E&Y), which will end its duties on that date.

May 15, 2024

Guy Bernstein
Chair of the Board of
Directors

Moti Gutman
CEO

Appendix A – Details regarding the Debentures issued by the Company and held by the public at the date of the Report

1) The following are details regarding the Series B Debentures – in NIS thousands

Disclosure item	Details regarding the Series B Debentures ⁽²⁾
Date of issue	Initial issue on September 18, 2022; series expanded on December 4, 2022
Total par value on the date of issue ⁽¹⁾	295,249 upon initial issue and 180,366 upon expansion of the series
Par value balance as at March 31, 2024	407,697
Par value balance on the reporting date, revalued according to linkage terms	The series is not linked
Value in the financial statements as at March 31, 2024 (amortized cost according to the effective interest method)	406,112
Accrued interest as at March 31, 2024	2,893
TASE value as at March 31, 2024	403,702
Type of interest	Fixed interest at a rate of 4.1% per annum; It should be noted that the trust deed in respect of the Series B Debentures attached to the offer report (the “trust deed”) provided mechanisms for adjustment of a change in the annual interest in respect of the Series B Debentures, this, if there is non-compliance with the financial covenants or if there is a decrease in the rating of the Series B Debentures. Pursuant to the said adjustment mechanisms (cumulatively), the overall rate of interest increments will not exceed 1%. For details, see sections 5.8 and 5.9 of the trust deed.
Dates for payment of principal	The principal of the Series B Debentures shall be due for repayment in fourteen (14) six-monthly installments, made up of thirteen equal payments - each payment is 7.14% of the principal and the last payment being 7.18%, commencing August 1, 2023, through February 1, 2030.
Interest payment dates	The interest in respect of the Series B Debentures shall be paid in six-monthly installments, to be paid on February 1 and August 1, commencing February 1, 2023, through February 1, 2030.

Disclosure item	Details regarding the Series B Debentures ⁽²⁾
Principal and interest linkage basis	The Series B Debentures are unlinked (principal and interest) to any linkage base.
Is there a right of conversion?	No
Early repayment or forced conversion of debentures	The Company shall be entitled to its own initiative to make the debentures available for early repayment, all in accordance with the provisions of section 6.2 of the trust deed.
Guarantee for payment of the Company's obligations pursuant to the trust deed	None
Does the Company as of the date of Report comply with all of the conditions and undertakings according to the trust deed?	Yes
As of the date of the report and during the period of the report, were the conditions that constitute grounds for calling the debentures due immediately, met?	No
Is the Company required by the trustee to perform various actions, including calling meetings of debentures holders?	No
Details of guarantees/liens	None

2) Details regarding the trustee for the Series B Debentures

Trustee name	Reznick Paz Nevo Trustees Ltd.
Debentures administrator	Shani Krasnoshansky
Contact information	14. Yad Harutzim, Tel Aviv (Tel: 03-689200 Fax: 03-6389222) email: Shani@rpn.co.il

3) Details about the (Series B) Debentures rating

Name of rating company as of the report date	Midroog Ltd. ("Midroog")
Rating at the date of issue:	Aa3 with a stable outlook
Rating on the report date	Unchanged For the up-to-date rating, see Immediate Report published by the Company on 03/28/2024 (Ref. 2024-01-033738)

- (1) On September 14, 2022, the Company published a shelf offer report (ref.: 2022-01-117502) (the "offer report"), in which the Company made issued in an initial public offering a total of NIS 295,249 thousand nominal value of Series B debentures of the Company. In addition, on December 4, 2022, the Company issued Series B debentures by way of an expansion of the series, for a net amount of NIS 178 million.
- (2) As at the date of the report, in accordance with the provisions of section 10(b)(13)(a) of the Securities Regulations, the Company considers the Series B Debentures to be a significant series.

4) Financial benchmarks – Series B Debentures

The table below sets forth the various criteria that the Company undertook with respect to debentures holders and the calculation of whose results is accurate as at March 31, 2024, as follows:

Security	Balance of nominal value of the security in circulation as at March 31, 2024	Balance of nominal value of the security in circulation immediately prior to the report date	Financial benchmark	Actual benchmark as at March 31, 2024
Series B Debentures	407,697	407,697	Ratio of consolidated net financial debt (as defined in the trust deed) to total balance sheet must not exceed 45%	8.6%
Series B Debentures	407,697	407,697	Ratio of consolidated net financial debt (as defined in the Trust Deed) to adjusted EBITDA (as defined in the Trust Deed) must not exceed 5	0.65
Series B Debentures	407,697	407,697	Shareholder equity (as defined in the trust deed) is minimal, must be not less than NIS 275,000 thousand	1,083,410

CHAPTER B

Interim Consolidated Financial Statements as at 31 March 2024 Unaudited

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

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A Review Report of the Independent Auditor to the shareholders of

Matrix IT Ltd.

Introduction

We have reviewed the accompanying interim financial information of Matrix IT Ltd. and its subsidiaries ("the Group"), which includes the condensed interim consolidated statement of financial position as of March 31, 2024, and the related condensed interim consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended. The Board of Directors and management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 "Interim Financial Reporting" and they are also responsible for the preparation of this interim financial information in accordance with Chapter D of Securities Regulations (Periodic and Immediate Reports) - 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of companies that were consolidated, whose assets included in consolidation constitute approximately 9.2% of total consolidated assets as of March 31, 2024, and whose revenues included in consolidation constitute approximately 8.6% of total consolidated revenues for the three-month period then ended. The condensed interim financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information included for those companies, is based on the review reports of the other auditors.

Scope of Review

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

Conclusion

Based on our review, and the review reports of other auditors, nothing has come to our attention that causes us to believe that the abovementioned financial information is not prepared, in all material respects, in accordance with IAS 34.

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

Tel-Aviv, Israel
May 15, 2024

Ziv haft
Certified Public Accountants (Isr.)
BDO Member Firm

Consolidated Statements of Financial Position

(in NIS thousands)

	As at 31 March 2024	As at 31 March 2023	As at 31 December 2023
	Unaudited	Unaudited	Audited
Current assets			
Cash and cash equivalents	560,833	648,014	640,208
Trade receivables and unbilled receivables, net	1,726,842	1,582,496	1,676,969
Income tax receivable	57,591	33,699	53,376
Other account receivables	124,609	151,385	101,680
Inventories	120,192	134,445	146,089
	2,590,067	2,550,039	2,618,322
Non-current assets			
Investments and other loans	16,800	16,800	16,800
Prepaid expenses and long-term trade receivables	46,580	38,155	32,785
Right-of-use assets	227,599	203,407	213,933
Property, plant, and equipment	95,390	102,414	95,358
Goodwill	921,839	932,423	918,829
Intangible assets	92,950	105,162	98,405
Deferred taxes	98,253	93,007	89,748
	1,499,411	1,491,368	1,465,858
	4,089,478	4,041,407	4,084,180

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

Consolidated Statements of Financial Position
(in NIS thousands)

	As at 31 March 2024	As at 31 March 2023	As at 31 December 2023
Current liabilities			
Short-term credit from banks and other credit providers	432,277	481,562	403,694
Current maturities of debentures	81,791	84,505	84,080
Current maturities of leasing liabilities	107,351	124,942	109,448
Trade payables	653,865	556,983	784,599
Income tax payable	12,280	16,618	14,770
Other accounts payables	45,311	48,303	80,965
Dividends payable	80,673	37,478	-
Employees and institutions	458,587	401,275	447,510
Liabilities in respect of business combinations	3,771	3,959	-
Put options of non-controlling interests	85,388	95,598	34,065
Deferred revenues	347,395	323,651	281,235
	2,308,689	2,174,874	2,240,366
Non-current liabilities			
Liabilities to banks and other credit providers	75,358	229,914	108,030
Debentures	324,321	388,498	360,426
Deferred revenues	60,155	26,375	17,673
Put options of non-controlling interests	27,260	33,120	54,071
Leasing liabilities	122,996	81,092	106,308
Deferred taxes	78,715	78,036	76,958
Liabilities in respect of business combinations	-	17,418	3,771
Employee benefit liabilities	8,574	9,068	9,105
	697,379	863,521	736,342
Equity attributed to Company shareholders			
Paid up share capital and capital reserves	374,609	366,314	382,606
Retained earnings	654,744	586,289	665,981
	1,029,353	952,603	1,048,587
Non-controlling interests	54,057	50,409	58,885
Total equity	1,083,410	1,003,012	1,107,472
	4,089,478	4,041,407	4,084,180

15 May 2024

Date of approval of
the financial statements

Guy Bernstein
Chair of the Board
of Directors

Moti Gutman
CEO

Nevo Brenner
CFO

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

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

	For the three months ended 31 March 2024 Unaudited (except net profit per share data)	For the three months ended 31 March 2023 Unaudited (except net profit per share data)	For the year ended 31 December 2023 Audited
Sales	1,453,713	1,291,153	5,232,105
Cost of sales and services	1,246,570	1,102,535	4,467,925
Gross profit	207,143	188,618	764,180
Selling and marketing expenses	51,048	45,176	189,698
General and administrative expenses	45,417	41,977	181,063
Operating profit	110,678	101,465	393,419
Financing expenses	21,490	20,761	82,738
Financing income	4,904	3,870	14,505
Income before taxes on income	94,092	84,574	325,186
Taxes on income	22,670	19,228	78,331
Net income	71,422	65,346	246,855
Other comprehensive income (net of tax effects)			
Amounts that will not be subsequently reclassified to profit or loss			
Profit from remeasurement for defined benefit plans	790	1,250	3,280
Amounts that will be classified or reclassified to profit or loss if specific conditions are met			
Adjustments arising from the translation of financial statements	4,829	9,027	11,981
Change in fair value of instruments used in cashflow hedging	77	(628)	(532)
Total comprehensive income	77,118	74,995	261,584
Net earnings attributable to			
Company shareholders	68,646	60,740	227,333
Non-controlling interests	2,776	4,606	19,522
	71,422	65,346	246,855
Total comprehensive income attributable to			
Shareholders of the Company	74,046	70,386	241,865
Non-controlling interests	3,072	4,609	19,719
	77,118	74,995	261,584
Net earnings per share attributable to the Company's shareholders (in NIS)			
Basic net income	1.09	0.96	3.58
Diluted net income	1.09	0.96	3.58

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

Consolidated Statements of Changes in Equity

Unaudited (in NIS thousands)

	Attributable to Company Shareholders									
	Share capital	Share premium	Treasury shares	Reserve for adjustments arising from translation of financial statements of foreign operations and cashflow hedge	Reserve for transactions between a corporation and a controlling shareholder	Reserve for share-based payment and transactions with non-controlling interests	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at January 1, 2024 (audited)	68,255	309,447	(7,982)	(8,335)	10,186	11,035	665,981	1,048,587	58,885	1,107,472
Net income	-	-	-	-	-	-	68,646	68,646	2,776	71,422
Adjustments for translation of financial statements of foreign operations	-	-	-	4,610	-	-	-	4,610	296	4,906
Profit from remeasurement for defined benefit plans	-	-	-	-	-	-	790	790	-	790
Total other comprehensive income	-	-	-	4,610	-	-	790	5,400	296	5,696
Total comprehensive income	-	-	-	4,610	-	-	69,436	74,046	3,072	77,118
Exercise of ESOP	-	-	-	-	-	-	-	-	-	-
Dividend declared	-	-	-	-	-	-	(80,673)	(80,673)	-	(80,673)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(2,096)	(2,096)
Transaction with holders of non-controlling interests	-	-	-	-	-	(17,095)	-	(17,095)	(5,804)	(22,899)
Share-based payment	-	-	-	-	-	4,488	-	4,488	-	4,488
Balance as at 31.03.24	68,255	309,447	(7,982)	(3,725)	10,186	(1,572)	654,744	1,029,353	54,057	1,083,410

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

Consolidated Statements of Changes in Equity

Unaudited (in NIS thousands)

	Attributable to Company Shareholders							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Reserve for adjustments arising from translation of financial statements of foreign operations and cashflow hedge	Reserve for transactions between a corporation and a controlling shareholder	Reserve for share-based payment and transactions with non-controlling interests	Retained earnings			
Balance as at 1 January 2023 (audited)	68,002	305,894	(7,982)	(19,587)	10,186	(1,881)	561,777	916,409	48,466	964,875
Net income	-	-	-	-	-	-	60,740	60,740	4,606	65,346
Adjustments for translation of financial statements of foreign operations	-	-	-	8,396	-	-	-	8,396	3	8,399
Profit from remeasurement for defined benefit plans	-	-	-	-	-	-	1,250	1,250	-	1,250
Total other comprehensive income	-	-	-	8,396	-	-	1,250	9,646	3	9,649
Total comprehensive income	-	-	-	8,396	-	-	61,990	70,386	4,609	74,995
Exercise of ESOP	253	3,553	-	-	-	(3,806)	-	-	-	-
Dividend declared	-	-	-	-	-	-	(37,478)	(37,478)	-	(37,478)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(2,994)	(2,994)
Transaction with holders of non-controlling interests	-	-	-	-	-	738	-	738	328	1,066
Share-based payment	-	-	-	-	-	2,548	-	2,548	-	2,548
Balance as at 31 March 2023	68,255	309,447	(7,982)	(11,191)	10,186	(2,401)	586,289	952,603	50,409	1,003,012

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

Interim Consolidated Financial Statements as at March 31, 2023 7

Consolidated Statements of Changes in Equity

Unaudited (in NIS thousands)

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

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

Consolidated Statements of Cash Flows

(in NIS thousands)

	For the three months ended 31 March	For the three months ended 31 March	For the year ended 31 December
	2024	2023	2023
	Unaudited	Unaudited	Audited
Cash Flows from Current Operations			
Net income	71,422	65,346	246,855
Adjustments to reconcile net income to net cash (used in)/ provided by, operating activities:			
Adjustments to profit and loss items			
Depreciation and amortization	46,806	47,298	203,619
Taxes on income	22,670	19,228	78,331
Change in liabilities for employee benefits	495	2,293	4,966
Other financing expenses, net	6,206	14,972	39,196
Revaluation of long-term bank loans	(108)	(161)	(535)
Revaluation of liabilities in respect of business combinations	-	(32)	(348)
Capital gain from disposal of property, plant, and equipment	(52)	(223)	(292)
Share-based payment	4,488	2,777	16,106
Appreciation of liabilities for put options for non- controlling interests	2,112	2,982	10,175
	82,617	89,134	351,218
Changes in assets and liabilities items			
Decrease (increase) in trade receivables	(47,673)	20,247	(73,925)
Decrease (increase) in other receivables and prepaid expenses	(36,315)	(33,237)	22,029
Decrease (increase) in inventories	25,897	(780)	(12,424)
Increase (decrease) in trade payables	(131,715)	(143,486)	84,766
Increase (decrease) in employees and institutions liabilities, deferred revenues, and other accounts payables	82,517	(708)	24,825
	(107,289)	(157,964)	45,271
Cash paid and received over the course of the period for			
Interest paid	(17,281)	(20,020)	(54,917)
Interest received	4,904	-	14,505
Taxes paid	(43,799)	(29,990)	(113,262)
Taxes received	7,603	4,030	6,529
	(48,573)	(45,980)	(147,145)
Net cash from (used in) current operations	(1,823)	(49,464)	496,199

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

Consolidated Statements of Cash Flows

(in NIS thousands)

	For the three months ended 31 March	For the three months ended 31 March	For the year ended 31 December
	2024	2023	2023
	Unaudited	Unaudited	Audited
Cash flow from investment activities			
Proceeds from sale of property, plant, and equipment	977	1,139	3,398
Acquisition of property, plant, and equipment	(9,584)	(13,281)	(38,866)
Acquisition of non-controlling interests	(499)	-	-
Software development costs	-	(750)	(2,250)
Acquisition initially consolidated subsidiaries (a)	-	(38,034)	(38,034)
Net cash used in financing operations	(9,106)	(50,926)	(75,752)
Cashflows from financing operations			
Short-term credit from banks and other credit providers, net	40,640	4,358	(35,626)
Repayment of long-term loans from banks and credit providers	(44,622)	(63,781)	(223,175)
Dividend distribution	-	-	(126,409)
Repayment of liabilities in respect of business combinations	-	(2,899)	(15,211)
Repayment of lease liabilities	(31,512)	(32,786)	(137,896)
Dividend distributed to non-controlling interests	(2,096)	(2,994)	(27,242)
Repayment of liabilities for put options for non-controlling interests	-	-	(29,352)
Repayment of bonds	(33,959)	-	(33,959)
Net cash from (used in) financing activity	(71,549)	(98,102)	(628,870)
Translation differences for cash and cash-equivalent balances	3,103	7,193	9,318
Increase (decrease) in cash and cash equivalents	(79,375)	(191,299)	(199,105)
Balance of cash and cash equivalents at beginning of period	640,208	839,313	839,313
Balance of cash and cash equivalents at end of the period	560,833	648,014	640,208

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

Consolidated Statements of Cash Flows
(in NIS thousands)

	For the three months ended 31 March 2024 Unaudited	For the three months ended 31 March 2023 Unaudited	For the year ended 31 December 2023 Audited
(a) Acquisition of initially consolidated subsidiaries			
The subsidiaries' assets and liabilities at date of acquisition:			
Working capital (other than cash and cash equivalents)	-	(36,212)	(36,212)
Property, plant, and equipment	-	(287)	(287)
Long-term deposits	-	-	-
Deferred tax	-	(350)	(350)
Inventories	-	(15,339)	(15,339)
Goodwill	-	(28,694)	(20,869)
Intangible assets	-	(11,194)	(21,158)
Employee benefit liabilities	-	129	129
Tax reserve	-	2,575	4,867
Liabilities in respect of non-controlling interests put options	-	26,257	26,104
Short-term liabilities	-	25,081	25,081
Liabilities in respect of business combinations	-	-	-
	-	(38,034)	(38,034)
(b) Significant non-cash transactions			
Dividend declared and not yet paid	80,673	37,478	-
Right-of-use asset recognized with corresponding lease liability	46,376	55,214	171,606
	127,049	92,692	171,606

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

Notes to the Interim Consolidated Financial Statements

NOTE 1 GENERAL

- A. Matrix IT Ltd. (the “Company”) was incorporated in Israel on 12 March, 1989 and started its business operations on that day. The Company provides advanced IT services.
- B. These financial statements have been prepared in condensed format as at 31 March, 2024 and for the three months then ended (the “Consolidated Interim Financial Statements”). The condensed consolidated financial statements of the Group as at 31 March, 2024 include those of the Company and its subsidiaries (the “Group”) and the Group’s interests in associates and joint arrangements. The financial statements should be read in the context of the Company’s annual financial statements as at 31 December, 2023 and for the year then ended and their accompanying notes (the “Consolidated Annual Financial Statements”).
- C. The Company is a direct subsidiary of Formula Systems (1985) Ltd. (“Formula Systems”), which is controlled by Asseco Poland SA.
- D. The Company’s shares are listed on the Tel Aviv Stock Exchange.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES**A. Preparation format of the Consolidated Interim Financial Statements**

The Consolidated Interim Financial Statements have been prepared in accordance with IAS 34, Interim Financial Reporting, and in accordance with the disclosure requirements of Chapter D of the Israel Securities Regulations (Periodic and Immediate Reports), 1970.

The accounting policy applied in the preparation of the Consolidated Interim Financial Statements is consistent with that applied in the preparation of the Consolidated Annual Financial Statements.

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

	As at 31.03.24	As at 31.03.23	As at 31.12.23
Consumer price index (2020 basis)			
In Israel (actual CPI)	112.25	103.2	111.2
In Israel (known CPI)	111.6	102.8	111.3
NIS exchange rate			
Dollar	3.681	3.6150	3.63
EUR	3.979	3.9322	4.01

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

Notes to the Interim Consolidated Financial Statements

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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

	For the three months ended 31.03.24 in percentages	For the three months ended 31.03.23 in percentages	For the year ended 31.12.23 in percentages
Consumer price index (2020 basis)			
In Israel (actual CPI)	0.94%	1.19%	2.96%
In Israel (known CPI)	0.27%	1.08%	3.34%
NIS exchange rate			
Dollar	1.49%	2.73%	3.07%
EUR	(0.81%)	4.77%	6.89%

NOTE 3 SEGMENTS**A. General**

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

The Company operates directly and through subsidiaries, and it has the following operating segments:

Information technology solutions and services, consulting, and management in Israel;
 Information technology solutions and services in the United States;
 Training and implementation;
 Cloud infrastructure and computing;
 Marketing and support for software products.

Information technology solutions and services, consulting, and management in Israel

The main activity in this segment is development of large-scale technological systems and the provision of related services, including consulting and management, automation and software integration projects, outsourcing, software project management, software development, software testing and QA, and improving and upgrading existing technological systems. In addition, the activity in this segment includes management consulting services and multidisciplinary engineering and operational consulting services, including supervision of complex engineering projects, all in accordance with the customer's specific requirement and the professional expertise required in each case.

Notes to the Interim Consolidated Financial Statements

NOTE 3 SEGMENTS (CONT.)**A. General****Information technology solutions and services in the United States**

The activity in this segment is carried out through two arms – Matrix US Holding and XTIVIA, which each hold a number of subsidiaries in the United States. The activity includes providing GRC solutions and expert services, including in the following areas: financial risk management, fraud prevention management, anti-money laundering, trade surveillance, bank payment services, and regulatory compliance in these areas, as well as advisory services specializing in compliance with financial regulations and services for implementation and operation regulation, and IT help desk services, including in the healthcare segment. This operating segment also includes the provision of specialized technological solutions and services in the following areas: portals, BI, CRM, DBA, and EIM, dedicated solutions for the government contracting market in the United States, and software distribution services. The operations in this segment include professional services and offshore solutions, including through personnel in the Company's centers of operation in India and professional services and projects through personnel across Matrix Group, as a gateway to a business model for exporting the Company's services and products in the United States.

Training and implementation

The operation of training centers in which advanced courses are held for high-tech personnel, application courses, and professional training and retraining courses, as well as soft skill courses and executive training, training services and integration of computer systems directly in organizations, outsourcing and BPO of training center management for customers, and a range of professional services provided the outstanding graduates of the Company's training courses, in an outsourcing format.

Cloud and computing infrastructures

The Company's activity in this field is mainly focused on providing computing solutions for computer infrastructures, a range of solutions and services in the field of cloud computing (through the Company's business unit specializing in this field- CloudZone), communication solutions, marketing and sales of hardware, software licenses and peripheral equipment to business customers, together with the provision of related professional services, multimedia solutions and control and monitoring centers, office automation and printing solutions, a range of services in the field of Data and Big Data, through the Company's specialized business unit- DataZone, as well as representing leading manufacturers of testing and measurement equipment, communication and cyber and RF solutions, projects and integration in the field of automation, calibration services in advanced technologies and the provision of industrial video and image-processing solutions tailored to the customer's needs, through the business units that specialize in this field - RDT Equipment and Asio Vision Systems.

Marketing and support of software products

The main activity in this segment is software distribution (mainly from software purchased abroad) in different and diverse areas, and professional support services for these products to customers, and implementation, training, support, and maintenance projects for products and integrated systems.

Notes to the Interim Consolidated Financial Statements

NOTE 3 SEGMENTS (CONT.)**B. Composition**

For the three months ended 31 March 2024 - unaudited (in NIS thousands)

	Information technology solutions and services, consulting, and management in Israel	Training and implementation	Marketing and support of software products	Cloud and computing infrastructures	Information technology solutions and services in the United States	Adjustment s	Total
Sales to external customers	770,778	45,754	91,637	428,293	117,251	-	1,453,713
Inter-segmental sales	23,486	1,341	5,714	9,489	1,439	(41,469)	-
Sales	794,264	47,095	97,351	437,782	118,690	(41,469)	1,453,713
Segmental operating results	61,589	1,738	7,359	27,630	16,969	(4,607)	110,678
Financing expenses							(21,490)
Financing income							4,904
Taxes on income							(22,670)
Net income							71,422

Notes to the Interim Consolidated Financial Statements

NOTE 3 SEGMENTS (CONT.)**B. Composition**

For the three months ended 31 March 2023 unaudited (in NIS thousands)

	Information technology solutions and services, consulting, and management in Israel	Training and implementation	Marketing and support of software products	Cloud and computing infrastructures	Information technology solutions and services in the United States	Adjustments	Total
Sales to external customers	718,676	49,800	53,486	361,482	107,709	-	1,291,153
Inter-segmental sales	17,329	1,315	8,994	13,702	161	(41,501)	-
Sales	<u>736,005</u>	<u>51,115</u>	<u>62,480</u>	<u>375,184</u>	<u>107,870</u>	<u>(41,501)</u>	<u>1,291,153</u>
Segmental operating results	<u>54,230</u>	<u>6,704</u>	<u>5,237</u>	<u>23,169</u>	<u>14,705</u>	<u>(2,580)</u>	<u>101,465</u>
Financing expenses							(20,761)
Financing income							3,870
Taxes on income							(19,228)
Net income							<u>65,346</u>

Notes to the Interim Consolidated Financial Statements

NOTE 3 SEGMENTS (CONT.)**B. Composition**

For the year ended 31 December, 2023- audited (in NIS thousands)

	Information technology solutions and services, consulting, and management in Israel	Training and implementation	Marketing and support of software products	Cloud and computing infrastructures	Information technology solutions and services in the United States	Adjustments	Total
Sales to external entities	2,855,747	172,829	294,236	1,430,913	478,380	-	5,232,105
Inter-segmental sales	90,447	5,008	35,491	83,106	8,809	(222,861)	-
Sales	2,946,194	177,837	329,727	1,514,019	487,189	(222,861)	5,232,105
Depreciation and amortization	134,341	5,318	6,553	52,491	4,916	-	203,619
Segmental operating results	198,785	11,572	36,123	87,957	76,168	(17,186)	393,419
Financing expenses							(82,738)
Financing income							14,505
Taxes on income							(78,331)
Net income							246,855

Notes to the Interim Consolidated Financial Statements

NOTE 4 SIGNIFICANT EVENTS DURING THE REPORTING PERIOD**1. Dividend distribution**

Following the declaration of the dividend on 11 March, 2024, on 15 April, 2024, the Company distributed a dividend in the amount of NIS 80.67 million to its shareholders (representing NIS 1.27 for each NIS 1 par value ordinary shares).

2. Transaction with holders of non-controlling interests

In the first quarter, the Company entered into a mutual options agreement with a non-controlling shareholder in a subsidiary for the sale and acquisition of the balance of the subsidiary's shares. The transaction was recorded as a transaction with holders of non-controlling interests through equity reserve.

3. Extension of the period of the Commercial Securities ("NAAM")

In March 2024, the Company extended the period of the Commercial Securities, under the same terms, for a cumulative period of another five years, such that the final repayment will be on 29 November, 2029 (for further information, see Note 10 C to the Consolidated Financial Statements for 2023).