



MATRIX I.T. LTD.

Quarterly Report as at
30 June, 2024
(Unaudited)



Table of Content

CHAPTER A

Board Of Directors` Report
as at 30 June, 2024

CHAPTER B

Interim Consolidated Financial Statements
as at 30 June, 2024



CHAPTER A

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

Table of Contents

1.	The Board of Directors' Explanations for the State of the Corporation's Affairs	3
1.1	Analysis of Results of Operations	3
1.1.1	Description of Operating Segments	3
1.1.2	Business Environment	3
1.1.3	Material Events During the Reporting Period and After the Report Date	6
1.1.4	Summary of the Statements of Consolidated Profit for the Three Months and Six Months Ending 30 June 2024 and 2023	7
1.2	Analysis of Results of Operations	8
1.2.1	Seasonality	8
1.2.2	Consolidated Analysis of Profit and Loss	8
1.2.3	Summary of Consolidated Profit and Loss Results by Operating Segment for the Three Months Ended 30 June 2024 and 2023, and the Six Months Ended on Those Same Dates	13
1.2.4	Analysis of Operating Results by Operating Segments	18
1.2.5	Engagements and Special Events	21
1.3	Financial position, liquidity, and financing sources	22
2.	Disclosure Provisions in Connection With the Corporation's Financial Reporting	26
Appendix A	Details Regarding the Debenture Serie B Issued by the Company and Held by the Public at the Report Date	27

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

1.1 Analysis of Results of Operations

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 31 December 2023, and Section 6 of the chapter on the Description of the Corporation's Affairs in the Company's 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% (June 2024, in annual terms based on the last 12 months (LTM)), reflecting a slight decrease from the December 2023 inflationary rate.

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

At the same time, there are 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 forecasted, at the end of 2023. (The current forecasts for the date the Federal Reserve will lower interest rates in the US are for September 2024.)

Israel Economic Environment

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

The Iron Swords War broke out on 7 October 2023, following a murderous attack by the terrorist organization Hamas on communities surrounding Gaza and other communities in the south of the country, claiming the lives of over 1,500 Israelis and injured thousands more. In addition, over 115 Israeli citizens and soldiers are classified as hostages. The war is also expanding to the north of Israel and has impacted the country's center as well as Israel's civilian population. In the course of the war, approximately one hundred thousand Israelis have been evacuated from their homes for an unknown period.

In April 2024, Iran carried out 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. Similarly, in recent months, the war on the northern front against the Hezbollah terrorist organization continues to intensify.

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). In April, 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 increased perception of the risk faced by the State of Israel is also expressed in the yield on State of Israel government bonds.

The continuation of the war has a negative effect on Israel's geopolitical situation, including trade agreements and bilateral collaboration. Thus, for example, in May 2024, 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, on 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.

According to a macro-forecast published by the Bank of Israel, it expects to decrease the interest rate once in the coming year.

The trend in the CPI started to moderate toward the end of 2023 and this moderation continued in the first quarter of 2024; the annual rate of inflation is currently 2.9%. Accordingly, Bank of Israel revised the annual inflation forecast from 2.4% to 3%, in contrast to the April forecast, which was 2.7%.

We note that, even in Israel, there is a continued concern over the resurgence of inflationary pressures, *inter alia*, following the Iron Swords War and the additional expenditures that are likely to be incurred by the country as a result, the potential 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.

Conversely, there are economic indicators of the stability of the Israeli market. These include a low unemployment rate (3.4%) and a several unfilled positions in the market, indicating a tight employment market (despite a certain drop in demand for academics and high-tech workers).

Effect on the Company's Operating Results

Despite the limited negative impact of the war on the Company's operating 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 wages), **the Company's activity in the second quarter of 2024 and the cumulative period was characterized by the continued increase in activity volumes, sales, profit, and cashflow as a result of organic growth.**

As at the date of the financial statements and as at the reporting date, approximately 145 and approximately 130 of the Company's employees (respectively) are on active reserve duty. This is in comparison to 470 active reservists at the end of December 2023 and after having reached a peak number of Company employees on active reserve duty during the fourth quarter of 2023, in excess of 700.

In respect of employees serving in the reserves, during the relevant period, the Company recorded net expenses deriving from only partial reimbursement by the State for them.

In May 2024, the National Insurance Regulations (Indemnification of Employers for the Period of Emergency Reserve Duty) (Temporary Provision – Iron Swords), were published. These regulations provide retroactive reimbursement to employers for pension contributions for employees who were called up for reserve duty during the state of emergency as of October 2023, up to 20% of the reserve duty remuneration (hereinafter: "reimbursement for pension contributions for active reservists").

During the course of the second quarter, the Company received said reimbursement amounts from the Israel National Insurance Institute in the sum of NIS 11 million (of which, NIS 6 million was for Q4/2023 and NIS 3 million was for Q1/2024), which was recorded in the financial statements as a decrease in the "cost

of selling" line. We note that the amount reimbursed is close to the net expenditure recorded by the Company (in the "cost of selling" line) during the relevant time periods.

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 31 December 2023 published as part of the Company's 2023 Periodic Report.

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, 1968 (the "**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 in a manner that is materially different 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 market competition, 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 Company's 2023 Periodic Report.

1.1.3 Material Events During the Reporting Period and After the Report Date

Changing auditors

On 3 April 2024, a resolution was passed at the general meeting of the shareholders to appoint the auditing firm BDO Israel as the Company's auditor, starting from the first quarter of 2024, and to terminate the engagement with Ernst & Young – Kost Forer Gabbay & Kasierer (E&Y) on that date.

Commercial Securities ("NAAM")

Further to Section 13.7 of Part A of the Company's Periodic Report for 2023 regarding (non-marketable) commercial securities (Series 1) (the "Commercial Securities" or "NAAM"), in March 2024, the Company received the consent of the holders of the Commercial Securities to extend the term of the Commercial Securities by another five years, until 29 November 2029.

After this date, on 18 July 2024, the Company expanded this series of Commercial Securities by an additional NIS 100 million (for a total of NIS 300 million par value Commercial Securities). Similarly, the terms of the Commercial Securities have been amended such that as of that same date, the Commercial Securities bear variable interest at the Bank of Israel rate plus 0.25% (instead of 0.5%), and without any modification to the remaining terms of the Commercial Securities.

1.1.4 Summary of the Statements of Consolidated Profit for the Three Months and Six Months Ending 30 June 2024 and 2023 (in NIS Thousands)

	For the three months ended	For the three months ended	Change in %	For the six months ended	For the six months ended	Change in %
	30.06.24	30.06.23		30.06.24	30.06.23	
Sales	1,332,732	1,286,742	3.6%	2,786,445	2,577,895	8.1%
Cost of sales and services	1,130,946	1,101,700	2.7%	2,377,516	2,204,235	7.9%
Gross profit	201,786	185,042	9.0%	408,929	373,660	9.4%
% of sales	15.1%	14.4%		14.7%	14.5%	
Selling and marketing expenses	46,615	45,261	3.0%	97,663	90,437	8.0%
General and administrative expenses	43,916	42,118	4.3%	89,333	84,095	6.2%
Operating profit	111,255	97,663	13.9%	221,933	199,128	11.5%
% of sales	8.3%	7.6%		8.0%	7.7%	
Financing expenses (net)	14,833	15,428	(3.9%)	31,419	32,318	(2.8%)
Profit before taxes on income	96,422	82,235	17.3%	190,514	166,810	14.2%
Taxes on income	23,321	19,413	20.1%	45,991	38,641	19.0%
Net income	73,101	62,822	16.4%	144,523	128,169	12.8%
% of sales	5.5%	4.9%		5.2%	4.9%	
Net earnings attributable to						
Company shareholders	69,495	58,617	18.6%	138,141	119,357	15.7%
Non-controlling interests	3,606	4,205	(14.2%)	6,382	8,812	(27.6%)
Net income	73,101	62,822	16.4%	144,523	128,169	12.8%
% of sales	5.5%	4.9%	12.3%	5.2%	4.9%	
EBITDA¹	124,466	114,766	8.5%	249,275	230,678	8.1%
% of sales	9.3%	8.9%		8.9%	8.9%	

¹ Earnings before financing, taxes, depreciation, and amortization, and net of the effect of IFRS 16 - Leases

1.2 Analysis of Results of Operations

1.2.1 Seasonality

The second quarter (similar to the parallel quarter in the previous year) was affected by the Passover vacation and other holidays ("seasonality" - *see also*, the Report on the Corporation's Business in the Periodic Report, Section 9). Therefore, during the second quarter of the year (similar to the parallel quarter of the previous year), the number of work days was low in comparison to the first quarter of 2024. Additionally, the number of work hours in the second quarter and during the cumulative period was 1.9% and 1.7% lower compared to the corresponding periods last year, respectively.

1.2.2 Consolidated Analysis of Profit and Loss

1. Sales

The Company's sales in the quarter amounted to NIS 1,332.7 million, compared to NIS 1,286.7 million in the corresponding quarter last year, an increase of approximately 3.6%. The Company's sales in this period amounted to NIS 2,786.4 million, compared to NIS 2,577.9 million in the corresponding quarter last year, an increase of 8.1%, deriving entirely from organic growth.

The increase in sales during this quarter derives primarily from an increase in the scope of operations in the information technology solutions and services, consulting, and management in Israel segment, and in the sales, marketing, and support of software products. This increase in sales in these segments was partly offset by a decrease in sales compared to the corresponding quarter last year in the cloud infrastructures and computing segment, in the training and implementation segment, and in the IT solutions in the US segment.

The increase in sales in this period 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 201.8 million (15.1% of sales), compared with NIS 185.1 million in the corresponding quarter last year (14.4% of sales), an increase of 9%.

Gross profit in the period amounted to a record NIS 408.9 million (14.7% of sales), compared with NIS 373.6 million in the corresponding period last year (14.5% of sales), an increase of 9.4%.

The gross profit and its percentage out of total sales were positively affected by the reimbursement from the National Insurance Institute for a portion of the social benefits component of the wages of those Company employees who had been called up to reserve duty as of 7 October 2023, in the sum of NIS 11 million (of which NIS 6 million is for Q4/2023 and NIS 3 million is for Q1/2024). Most of this amount was recorded in the information technology solutions and services, consulting, and management in Israel segment. (For additional details, see the more extensive information in Section 1.1.2 - Economic Environment, above.) Conversely, the above impact was partly offset by a reduction in work hours in the second quarter and during the cumulative period, by 1.9% and by 1.7%, compared to the corresponding periods last year. (See, Section 1.2.1 - Seasonality).

3. Selling, marketing, administrative, and general expenses

Selling, marketing, administrative and general expenses in the quarter amounted to NIS 90.5 million (6.8% of sales), compared with NIS 87.4 million in the corresponding quarter last year (6.8% of sales). Selling, marketing, administrative and general expenses in the period amounted to NIS 187 million (6.7% of sales), compared with NIS 174.5 million in the corresponding period last year (6.8% of sales).

Most of the growth during the second quarter and during the period derived from an increased volume of operations.

It should be noted that selling expenses include an amount of NIS 5.4 million and NIS 10.9 million during the quarter and during the period (compared with NIS 8 million and NIS 14 million in the corresponding periods last year) for amortization of intangible assets arising from business combinations.

Administrative and general expenses include an amount of NIS 4.5 million and NIS 9 million during the quarter and during the period (compared with NIS 4.4 million and NIS 7.1 million in the corresponding periods last year) for expenditures for "share based payments" for officers and executives.

4. Operating profit

Operating profit in the quarter amounted to a record NIS 111.3 million (8.3% of sales) compared to NIS 97.6 million in the corresponding quarter last year (7.6% of sales), an increase of 13.9%.

Operating profit in the period amounted to NIS 221.9 million (8% of sales), compared with NIS 199.1 million in the corresponding period last year (7.7% of sales), an increase of 11.5%, entirely as the result of organic growth. The growth in operating profit during the quarter and the period, compared to the corresponding periods last year, alongside the increased rates of the Company's operating profit, are primarily the result of the factors described above, with reference to the gross profit.

5. Financing expenses (net)

Financing expenses (net) in the quarter amounted to NIS 14.8 million, compared with financing expenses (net) in the amount of NIS 15.4 million in the corresponding quarter last year.

Financing expenses (net) in the period amounted to NIS 31.4 million, compared with financing expenses (net) in the amount of NIS 32.3 million in the corresponding period last year.

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

	For the three months ended	For the three months ended	For the six months ended	For the six months ended
	30.06.24	30.06.23	30.06.24	30.06.23
Interest, commissions, and other (net)	5,817	9,717	13,457	21,692
Exchange rate differences	2,866	(3,003)	5,388	(4,725)
Accounting finance expenses*	6,150	8,714	12,574	15,351
Total financing expenses (net)	14,833	15,428	31,419	32,318

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

As set forth above, the decrease in financing expenses in the second quarter and the period, compared with the corresponding periods last year, is due to a decrease in interest expenses on the Company's financial obligations (net of income from financing on investments and deposits), mainly in light of 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 and in the period, compared with sales from exchange differences recorded in the corresponding periods last year.

6. Taxes on income

Tax expenses in this quarter amounted to NIS 23.3 million (24.2% of pretax profit) compared to NIS 19.4 million (23.6% of pretax profit) in the corresponding quarter.

Tax expenses in this period amounted to NIS 46 million (24.1% of pretax profit) compared to NIS 38.6 million (23.2% of pretax profit) in the corresponding period last year.

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 and the period compared with the corresponding periods last year is mainly due to an increase in the amount of expenses that are not tax deductible.

7. Net income

Net earnings in the quarter amounted to a record NIS 73.1 million (5.5% of sales) compared to NIS 62.8 million in the corresponding quarter last year (4.9% of sales), an increase of 16.4%.

Net earnings in the period amounted to NIS 144.5 million (5.2% of sales) compared to NIS 128.2 million in the corresponding period last year (4.9% of sales), an increase of 12.8%.

8. Net income attributable to Company shareholders

Net earnings attributable to the Company's shareholders in the quarter amounted to a record NIS 69.5 million (5.2% of sales) compared to NIS 58.6 million in the corresponding quarter last year (4.5% of sales), an increase of 18.6%.

Net earnings attributable to shareholders in the period amounted to NIS 138.1 million (5% of sales) compared to NIS 119.4 million in the corresponding period last year (4.6% of sales), an increase of 15.7%.

9. Total earnings (in NIS thousands)

	For the three months ended	For the three months ended	For the six months ended	For the six months ended
	30.06.24	30.06.23	30.06.24	30.06.23
Net income	73,101	62,822	144,523	128,169
Other comprehensive income (after the effect of taxes):				
Profit (loss) from remeasurement for defined benefit plans	1,138	1,219	1,928	2,469
Change in fair value of instruments used in cashflow hedging	(272)	(216)	(195)	(844)
Exchange differences from translation of foreign operations	7,065	8,651	11,894	17,678
Total comprehensive earnings	81,032	72,476	158,150	147,472

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 and 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 %	For the six months ended	For the six months ended	Change in %
	30.06.24	30.06.23		30.06.24	30.06.23	
Operating profit	111,255	97,663	13.9%	221,933	199,128	11.5%
Depreciation and amortization	43,732	50,161	(12.8%)	90,538	97,459	(7.1%)
EBITDA	154,987	147,824	4.8%	312,471	296,587	5.4%
% of total sales	11.6%	11.4%		11.2%	11.5%	
Neutralizing depreciation expenses IFRS 16 ²	30,521	33,058	(7.7%)	63,196	65,909	(4.1%)
EBITDA net of IFRS 16	124,466	114,766	8.5%	249,275	230,678	8.1%
% of total sales	9.3%	8.9%		8.9%	8.9%	

11. Earnings per share attributable to the Company's shareholders

	For the three months ended	For the three months ended	For the six months ended	For the six months ended
	30.06.24	30.06.23	30.06.24	30.06.23
Basic earnings per share	1.09	0.92	2.17	1.88
Diluted earnings per share	1.09	0.92	2.17	1.88

² In accordance with International Financial Reporting Standard Leases IFRS16 (presented under depreciation and financing expenses).

1.2.3 Summary of Consolidated Profit and Loss Results by Operating Segment for the Three Months Ended 30 June 2024 and 2023, and the Six Months Ended on Those Same Dates (in NIS Thousands)

	For the three months ended	For the three months ended	Change in %	For the six months ended	For the six months ended	Change in %
	30.06.24	30.06.23		30.06.24	30.06.23	
Sales according to operating segment						
Information technology solutions and services, consulting and management in Israel ⁽¹⁾	774,290	727,960	6.4%	1,568,554	1,463,965	7.1%
Information technology solutions and services in the United States ⁽²⁾	118,795	123,074	(3.5%)	237,485	230,944	2.8%
Marketing and support for software products	121,985	82,206	48.4%	219,336	144,686	51.6%
Cloud infrastructures and computing	324,278	356,066	(8.9%)	762,060	731,250	4.2%
Training and implementation	43,010	48,216	(10.8%)	90,105	99,331	(9.3%)
Inter-segmental adjustments	(49,626)	(50,780)		(91,095)	(92,281)	
Total sales	1,332,732	1,286,742	3.6%	2,786,445	2,577,895	8.1%
Operating profit						
Information technology solutions and services, consulting and management in Israel ⁽¹⁾	62,080	49,186	26.2%	123,669	103,416	19.6%
Information technology solutions and services in the United States ⁽²⁾	16,919	18,291	(7.5%)	33,888	32,996	2.7%
Marketing and support for software products	8,926	7,674	16.3%	16,285	12,911	26.1%
Cloud infrastructures and computing	22,826	20,094	13.6%	50,456	43,263	16.6%
Training and implementation	3,077	5,422	(43.2%)	4,815	12,126	(60.3%)
Inter-segmental adjustments	(2,573)	(3,004)		(7,180)	(5,584)	
Operating profit	111,255	97,663	13.9%	221,933	199,128	11.5%

(1) Including immaterial operations in Europe

(2) Including operations in Canada

	For the three months ended	For the three months ended	For the six months ended	For the six months ended
	30.06.24 percentage	30.06.23 percentage	30.06.24 percentage	30.06.23 percentage

Operating profit rate

Information technology solutions and services, consulting, and management in Israel ⁽¹⁾	8.0%	6.8%	7.9%	7.1%
Information technology solutions and services in the United States ⁽²⁾	14.2%	14.9%	14.3%	14.2%
Marketing and support for software products	7.3%	9.3%	7.4%	8.9%
Cloud infrastructures and computing	7.0%	5.6%	6.6%	5.9%
Training and implementation	7.2%	11.2%	5.3%	12.2%
Operating profit percentages	8.3%	7.6%	8.0%	7.7%

	For the three months ended	For the three months ended	For the six months ended	For the six months ended
	30.06.24 percentage	30.06.23 percentage	30.06.24 percentage	30.06.23 percentage
Sales according to operating segment				
Information technology solutions and services, consulting and management in Israel ⁽¹⁾	56.0%	54.4%	54.5%	54.8%
Information technology solutions and services in the United States ⁽²⁾	8.6%	9.2%	8.3%	8.6%
Marketing and support for software products	8.8%	6.1%	7.6%	5.4%
Cloud infrastructures and computing	23.5%	26.6%	26.5%	27.4%
Training and implementation	3.1%	3.7%	3.1%	3.8%
Total sales in percentages	100%	100%	100%	100%

(1) Including immaterial operations in Europe

(2) Including operations in Canada

	For the three months ended	For the three months ended	For the six months ended	For the six months ended
	30.06.24 percentage	30.06.23 percentage	30.06.24 percentage	30.06.23 percentage
Contribution to operating profit according to operating segments				
Information technology solutions and services, consulting and management in Israel ⁽¹⁾	54.5%	48.9%	54.0%	50.5%
Information technology solutions and services in the United States ⁽²⁾	14.9%	18.1%	14.8%	16.2%
Marketing and support for software products	7.8%	7.6%	7.1%	6.3%
Cloud infrastructures and computing	20.1%	20.0%	22.0%	21.1%
Training and implementation	2.7%	5.4%	2.1%	5.9%
Total contribution in percentages	100%	100%	100%	100%

(1) Including immaterial operations in Europe

(2) Including operations in Canada

	For the three months ended	For the three months ended	Change in %	For the six months ended	For the six months ended	Change in %
	30.06.24	30.06.23		30.06.24	30.06.23	

Geographic information

Sales

Sales from customers in Israel	1,236,859	1,193,238	3.7%	2,592,101	2,398,539	8.1%
Sales from customers in the United States	118,795	123,074	(3.5%)	237,485	230,944	2.8%
Sales from customers in Europe	26,704	21,210	25.9%	47,954	40,693	17.8%
Inter-segmental adjustments	(49,626)	(50,780)		(91,095)	(92,281)	
Total sales	1,332,732	1,286,742	3.6%	2,786,445	2,577,895	8.1%

Operating profit

Operating profit from customers in Israel	95,159	80,275	18.5%	191,666	167,880	14.2%
Operating profit from customers in the United States	16,919	18,291	(7.5%)	33,888	32,996	2.7%
Operating profit from customers in Europe	1,750	2,101	(16.7%)	3,559	3,836	(7.2%)
Inter-segmental adjustment	(2,573)	(3,004)		(7,180)	(5,584)	
Total operating profit	111,255	97,663	13.9%	221,933	199,128	11.5%

	For the three months ended	For the three months ended	For the six months ended	For the six months ended
	30.06.24 percentage	30.06.23 percentage	30.06.24 percentage	30.06.23 percentage
Geographical revenue rate				
Sales from customers in Israel	89.5%	89.2%	90.1%	89.8%
Sales from customers in the United States	8.6%	9.2%	8.3%	8.7%
Sales from customers in Europe	1.9%	1.6%	1.6%	1.5%
Total sales in percentages	100%	100%	100%	100%
Geographical operating profit rate				
Operating profit rate in Israel	7.7%	6.7%	7.4%	7.0%
Operating profit rate in United States	14.2%	14.9%	14.3%	14.3%
Operating profit rate in Europe	6.6%	9.9%	7.4%	9.4%
Operating profit percentages	8.3%	7.6%	8.0%	7.7%
Rate of geographical contribution to operating profit				
Operating profit in Israel	83.6%	79.7%	83.7%	82.0%
Operating profit in United States	14.9%	18.2%	14.8%	16.1%
Operating profit in Europe	1.5%	2.1%	1.5%	1.9%
Total contribution in percentages	100%	100%	100%	100%

1.2.4 Analysis of Operating Results by Operating Segments

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

Sales

Sales of the information technology solutions and services, consulting, and management segment in Israel during this quarter amounted to NIS 774.3 million, compared to NIS 727.9 million in the corresponding quarter last year, an increase of approximately 6.4%.

Segmental sales in this period amounted to NIS 1,568.6 million, compared to NIS 1,463.9 million in the corresponding period last year, an increase of 7.1%.

Operating profit

The segment's operating profit in this quarter amounted to NIS 62.1 million (8% of the segmental sales), compared to NIS 49.1 million (6.8% of the segmental sales) in the corresponding quarter last year, an increase of 26.2%.

The segment's operating profit in this period amounted to NIS 123.7 million (7.9% of the segmental sales), compared to NIS 103.4 million (7.1% of the segmental sales) in the corresponding period last year, an increase of 19.6%.

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

Similarly, operating profit during the second quarter and during the period, and the percentage of profit out of the total sales, was positively affected by the reimbursement for pension contributions for active-duty reservists received from the National Insurance Institute, the decided majority of which is attributed to this segment. (See Section 1.1.2 - Business environment, above, for details.)

Information technology solutions and services in the United States

Sales

Sales of the information technology solutions and services segment in the United States during this quarter amounted to NIS 118.8 million, compared to NIS 123.1 million in the corresponding quarter last year, a decrease of 3.5%.

Segmental sales in this period amounted to NIS 237.5 million, compared to NIS 230.9 million in the corresponding period last year, an increase of 2.8%.

Operating profit

The segment's operating profit in this quarter amounted to NIS 16.9 million (14.2% of the segmental Sales), compared to NIS 18.3 million (14.9% of the segmental Sales) in the corresponding quarter last year, a decrease of 7.5%.

The segment's operating profit in this period amounted to NIS 33.9 million (14.3% of the segmental sales), compared to NIS 32.9 million (14.3% of segmental sales) in the corresponding period last year, an increase of 2.7%.

The decrease in sales and in operating profit in the second quarter compared to the corresponding quarter last year (during the cumulative period, there was an increase compared to the corresponding period last year) is the result of the completion of two projects in the GRC sector, which was partially compensated for by new customer engagements that are expected to be reflected in the scope of operations and earnings amounts in the coming quarters.

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

	For the three months ended	For the three months ended	Percent change	For the six months ended	For the six months ended	Percent change
	30.06.24	30.06.23		30.06.24	30.06.23	
Sales	31.9	34.2	(6.8%)	64.3	64.1	0.3%
Operating profit	4.6	5.1	(10.3%)	9.2	9.1	0.8%
Profit margin (%)	14.3%	14.9%		14.3%	14.2%	

Marketing and support of software products

Sales

The marketing and support of software products segmental sales in this quarter amounted to NIS 122 million, compared to NIS 82.2 million in the corresponding quarter last year, an increase of 48.4%.

Segmental sales in this period amounted to NIS 219.3 million, compared to NIS 144.6 million in the corresponding quarter last year, an increase of 51.6%.

Operating profit

The segment's operating profit in this quarter amounted to NIS 8.9 million (7.3% of the segmental sales), compared to NIS 7.6 million (9.3% of the segmental sales) in the corresponding quarter last year, an increase of 16.3%.

The segment's operating profit in this period amounted to NIS 16.3 million (7.4% of the segmental sales), compared to NIS 12.9 million (8.9% of the segmental sales) in the corresponding period last year, an increase of 26.1%.

The increase in segment sales and operating profit, alongside the decrease in the rate of operating profit, are due to an increase in the scope of segment operations, along with changes in the transactions break down - primarily, an increase in the volume of various distribution transactions, characterized by a relatively low profit margin.

Cloud infrastructure and computing

Sales

The cloud infrastructures and computing segmental sales in this quarter amounted to NIS 324.3 million, compared to NIS 356.1 million in the corresponding quarter last year, a decrease of approximately 8.9%.

Segmental sales in this period amounted to NIS 762.1 million, compared to NIS 731.2 million in the corresponding quarter last year, an increase of 4.2%.

Operating profit

The segment's operating profit in this quarter amounted to NIS 22.8 million (7% of the segmental sales), compared to NIS 20.1 million (5.6% of the segmental sales) in the corresponding quarter last year, an increase of 13.6%.

The segment's operating profit in this period amounted to NIS 50.5 million (6.6% of the segmental sales), compared to NIS 43.2 million (5.9% of the segmental sales) in the corresponding period last year, an increase of 16.6%.

The increase in segmental sales, operating profit, and operating profit margin in the period compared with the corresponding period of the previous year, is due to an increase in the volume of segmental operations, with an emphasis on selling, marketing, and integration of computer systems.

The decrease in segmental sales relative to the increase in operating profit and increased profitability during the quarter, compared to the corresponding quarter last year, is primarily due to an increase in the weight of Enterprise Discount Program ("EDP") cloud transactions, the sales from which are presented on a net basis, out of all cloud transactions in this operating segment.

Training and implementation

Sales

The training and implementation segmental sales in this quarter amounted to NIS 43 million, compared to NIS 48.2 million in the corresponding quarter last year, a decrease of approximately 10.8%.

Segmental sales in this period amounted to NIS 90.1 million, compared to NIS 99.3 million in the corresponding period last year, a decrease of 9.3%.

Operating profit

The segment's operating profit in this quarter amounted to NIS 3.1 million (7.2% of the segmental sales), compared to NIS 5.4 million (11.2% of the segmental sales) in the corresponding quarter last year, a decrease of 43.2%.

The segment's operating profit in this period amounted to NIS 4.8 million (5.3% of the segmental sales), compared to NIS 12.1 million (12.2% of the segmental sales) in the corresponding period last year, an increase of 60.3%.

The decrease in segmental sales and operating profit in the quarter and the period, compared with the corresponding quarter and corresponding period 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 sales in the period) and that in general, retrenchment in high-tech companies also 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

Dividend distribution

Date of distribution	Dividend per share (agorot)	Amount of dividend (NIS millions)
15.04.2024	127	80.67*
25.07.2024	81	51.45
Total for the first half of 2024	208	132.12

* For the profits for 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.

Confirmation of issuer rating

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

On 16 July 2024, Midroog confirmed a rating of P-1.il for the Commercial Securities.

Purchase of a directors and officers insurance policy

On 8 August 2024, the Company's remuneration committee approved the renewal of the insurance contract ("D&O") covering the liability of the directors and officers at the Company and its subsidiaries and investees (including that of the CEO), whomever they may be from time to time, including a "Side A DIC" D&O policy, commencing 1 September 2024.

The insurance coverage has a liability cap of USD 30 million per claim and per term, and the coverage in the Side A DIC D&O policy has a liability cap of USD 10 million.

The policy insures all of the past and present officers of the Company, its subsidiaries, and its investees, including directors, under identical terms. None of the Company's officers is a controlling shareholder thereof.

The purchase of the D&O and the Side A DIC policies, as well as the Company's engagement with its directors and officers with regard to the insurance terms pursuant to the terms of the policies, are in accordance with the provisions of the Company's remuneration policy and meet the criteria established at the Company's general meeting in April 2022.

Appointment of external directors

On 19 February 2024, the general meeting approved the appointment of Mr. Tal Barnoach as an external director in the Company, and on 27 May 2024, the general meeting confirmed the appointment of Ms. Limor Bar On as an external director in the Company, for terms of three years following the dates of their appointment.

1.3 Financial position, liquidity, and financing sources

Analysis of the financial position as at 30 June 2024

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

	30.06.2024	31.12.2023	Change
Cash and cash equivalents	498,400	640,208	(141,808)
Short-term credit	(525,607)	(487,917)	(37,690)
Long-term credit	(370,528)	(468,456)	97,928
Net debt – short-term and long-term credit, net of cash and cash equivalents	(397,735)	(316,165)	(81,570)
Balance sheet total	3,929,333	4,084,180	(154,847)
Ratio of net financial debt to the total balance sheet	10.1%	7.7%	
Current ratio	1.1	1.2	
Retained earnings	673,924	665,981	7,943
Total equity attributable to shareholders	1,058,587	1,048,587	10,000
Ratio of shareholder equity to balance sheet	26.9%	25.7%	

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

	30.06.2024	31.12.2023	Change
Assets:			
Cash and cash equivalents	498,400	640,208	(141,808)
Trade receivables and unbilled receivables, net	1,666,154	1,676,969	(10,815)
Inventories	107,220	146,089	(38,869)
Goodwill	926,199	918,829	7,370
Intangible assets	87,524	98,405	(10,881)
All others (property, plant, and equipment, right-of-use assets, etc.)	643,836	603,680	40,156
Total assets	3,929,333	4,084,180	(154,847)
Liabilities:			
Short-term credit from banks and other credit providers	896,039	956,230	(60,191)
Trade payables	580,187	784,599	(204,412)
Deferred revenues	390,915	298,908	92,007
Leasing liabilities	216,735	215,756	979
Liabilities for options to holders of non-controlling interests and contingent liabilities for a business combination	105,732	91,907	13,825
All others	631,803	629,308	2,495
Total liabilities	2,821,411	2,976,708	(155,297)

The changes in the assets items were affected by a decrease in cash and cash equivalents (primarily from net repayment of debts and debentures, payments to vendors, and paying out a dividend), and a decrease in inventory, offset in part by an increase in the receivables item (presented above under "all others").

The decrease in total liabilities is mainly due to a decrease in trade payables and a decrease in the amount of credit from financial institutions and other credit providers (further to the decrease in the Company's financial debt), offset in part by an increase in deferred revenues (primarily down payments from customers in long-term transactions).

Summary statements of cash flow (in NIS thousands)

	For the three months ended	For the three months ended	For the six months ended	For the six months ended
	30.06.2024	30.06.2023	30.06.2024	30.06.2023
Cash flows from current operations				
Net income	73,101	62,822	144,523	128,169
Adjustments to profit and loss items	78,335	95,767	160,952	184,900
Changes in assets and liabilities items	(42,263)	(15,960)	(149,552)	(173,924)
Cash paid and received for interest and taxes, net	(13,537)	(47,077)	(62,110)	(93,057)
Net cash from current operations	95,636	95,552	93,813	46,088
Cash flow from investment activities				
Acquisition of property, plant, and equipment	(6,227)	(11,794)	(15,811)	(25,075)
Acquisition of subsidiary	-	-	-	(38,034)
Other (net)	582	956	1,559	1,345
Net cash used in investment operations	(5,645)	(10,838)	(14,252)	(61,764)
Cash flows for financing operations				
Repayment of credit, net	(22,113)	(84,336)	(26,095)	(143,759)
Dividend distribution	(80,673)	(82,579)	(80,673)	(82,579)
Payment of leasing liability	(32,842)	(33,201)	(64,354)	(65,987)
Distribution of dividends to non- controlling interests	(16,742)	(10,934)	(18,838)	(13,928)
Repayment of debentures	-	-	(33,959)	-
Repayment of liabilities in respect of business combinations	(561)	(9,004)	(561)	(11,903)
Repayment of a liability for options to holders of non-controlling interests	(1,124)	(10,779)	(1,124)	(10,779)
Acquisition of non-controlling interests	(3,000)	-	(3,499)	-
Net cash used in financing operations	(157,055)	(230,833)	(229,103)	(328,935)

Cashflows from current operations

During the second quarter, the Company recorded a positive cashflow from ongoing operations in the sum of NIS 95.6 million, an amount that is similar to the corresponding quarter last year.

During the cumulative period, the Company recorded a positive cashflow from ongoing operations in the sum of NIS 93.8 million, compared to a positive cashflow from ongoing operations in the sum of NIS 46.1 million in the corresponding period last year.

Cashflows from investment operations

The cashflow used in investment activities during the second quarter and the cumulative period amounted to NIS 5.6 million and NIS 14.2 million, respectively. This is in comparison to cashflow used in investment activities in the sum of NIS 10.8 million and NIS 61.8 million in the corresponding periods last year.

Most of the difference is attributed to the sum of NIS 38 million paid in the corresponding period last year for the acquisition of the Company's subsidiary, Zebra.

Cash flows used in financing operations

The cashflow used in financing activities during the cumulative period amounted to NIS 229.1 million, compared to NIS 328.9 million in the corresponding period last year. Most of the difference is attributed to the net repayment amounts of loans and debentures.

Average short-term credit (in NIS thousands)*

	30.06.2024	30.06.2023
Trade receivables	1,688,114	1,540,692
Trade payables	667,282	572,750

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

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

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

As at 30 June 2024, in the Company's standalone 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. Further to said review, the Company's Board of Directors determined that the shortfall in working capital in the standalone 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)

	For the six months ended 30.06.2024	For the six months ended 30.06.2023
Opening balance	1,107,472	964,875
Net income	144,523	128,169
Dividends declared	(132,126)	(82,579)
Dividends to non-controlling interests	(8,672)	(7,504)
Translation differences	11,699	16,834
Share based payment	8,997	7,184
Transaction with holders of non-controlling interests	*(25,899)	9,570
Actuarial earnings in respect of a benefit plan	1,928	2,469
Closing balance	1,107,922	1,039,018

* In the first quarter, the Company entered into a mutual future options agreement with a non-controlling shareholder in a subsidiary for the sale and acquisition of the balance of the subsidiary's shares. Similarly, in the second quarter, the Company entered into a mutual future options agreement with a non-controlling shareholder in a different subsidiary for the acquisition of the balance of his shares in the subsidiary. These transactions were recorded as a transaction with holders of non-controlling interests and imputed directly to shareholder equity.

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

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 total balance sheet value in subsidiaries that have been acquired by the Group.

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

08 August, 2024

Guy Bernstein
Chair of the Board of
Directors

Moti Gutman
CEO

Appendix A – Details Regarding the Debenture Series B Issued by the Company and Held by the Public at the Report Date

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

Disclosure item	Details regarding the Series B Debentures (2)
Date of issue	Initial issue on 18 September 2022; Series expanded on 4 December
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 30 June 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 30 June 2024 (amortized cost according to the effective interest method)	410,615
Accrued interest as at 30 June 2024	7,395
TASE fair value as at 30 June 2024	403,498
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 Debenture 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 Debenture, in the event of non-compliance with the financial covenants or if there is a decrease in the rating of the Series B Debenture. Pursuant to 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 Debenture 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 1 August 2023, through 1 February 2030.
Interest payment dates	The interest in respect of the Series B Debenture shall be paid in six-monthly installments, to be paid on 1 February and 1 August, commencing 1 February 2023, through 1 February 2030.
Principal and interest linkage basis	The Series B Debenture are unlinked (principal and interest) to any linkage base.
Is there a right of conversion?	No

Disclosure item	Details regarding the Series B Debentures (2)
Early repayment or forced conversion of debentures	The Company shall be entitled to initiate the early repayment of the Series B debentures, 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
As of the report date, is the Company in compliance with all of the conditions and undertakings according to the trust deed?	Yes
As of the report date and during the reporting period, were the conditions met that constitute grounds for calling the debentures due immediately?	No
Is the Company required by the trustee to perform various actions, including calling meetings of debenture holders?	No
Details of guarantees/liens	None

2) Details regarding the trustee for the Series B Debentures

Trustee name	Reznick Paz Nevo Trustees Ltd.
Debenture administrator	Shani Krasnoshansky
Contact information	14 Yad Harutzim St., 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 14 September 2022, the Company published a shelf offering 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 Company Debentures. In addition, on 4 December 2022, the Company issued Series B Debenture by way of an expansion of the series, for a net amount of NIS 178 million.

(2) As at the report date, in accordance with the provisions of the Securities Regulations, § 10(b)(13)(a), the Company considers the Series B Debenture to be a significant series.

4) Financial benchmarks – Series B Debentures

The table below sets forth the various covenants that the Company undertook with respect to debenture holders and the calculation of their results as at 30 June 2024, as follows:

Security	Balance of nominal value of the security in circulation as at 30 June 2024	Balance of nominal value of the security in circulation immediately prior to the report date	Financial benchmark	Actual benchmark as at 30 June 2024
Series B Debentures	407,697	373,738	Ratio of consolidated net financial debt (as defined in the trust deed) to total balance sheet must not exceed 45%	10.1%
Series B Debentures	407,697	373,738	Ratio of consolidated net financial debt (as defined in the trust deed) to adjusted EBITDA (as defined in the trust deed) shall not exceed 5	0.63
Series B Debentures	407,697	373,738	Shareholder equity (as defined in the trust deed) is minimal, must be no less than NIS 275,000 thousand	1,107,922



CHAPTER B

Interim Consolidated Financial Statements
as at 30 June 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.

Table of Contents

Report of the Independent Auditor to the shareholders	3
Consolidated Statements of Financial Position	4
Consolidated Statements of Profit and Loss and Other Comprehensive Income	6
Consolidated Statements of Changes in Equity	7
Consolidated Statements of Cash Flows	12
Notes to the Interim Consolidated Financial Statements	15

Report of the Independent Auditor to the shareholders of Matrix IT Ltd.

Introduction

We have reviewed the accompanying interim financial information of Matrix IT Ltd. and its subsidiaries ("the Group"), that includes the condensed interim consolidated statement of financial position as at 30 June 2024, and the related condensed interim consolidated statements of profit and loss and other comprehensive income, changes in equity, and cashflows for the six and 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 8.4% of total consolidated assets as of 30 June 2024, and whose revenues included in consolidation constitute approximately 9.5% of total consolidated revenues for the six and 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

8 August, 2024

Ziv Haft

Certified Public Accountants (Isr.)
BDO Member Firm

Consolidated Statements of Financial Position

(in NIS thousands)

	As at 30 June 2024	As at 30 June 2023	As at 31 December 2023
	Unaudited	Unaudited	Audited
Assets			
Current assets			
Cash and cash equivalents	498,400	508,173	640,208
Trade receivables and unbilled receivables, net	1,666,154	1,631,933	1,676,969
Income tax receivable	43,362	36,556	53,376
Other accounts receivable	138,349	112,119	101,680
Inventories	107,220	139,825	146,089
	2,453,485	2,428,606	2,618,322
Non-current assets			
Investment in a financial asset designated at fair value through profit and loss	17,146	16,800	16,800
Prepaid expenses	41,225	36,818	32,785
Right-of-use assets	215,918	215,114	213,933
Property, plant, and equipment, net	93,396	103,738	95,358
Goodwill	926,199	936,607	918,829
Intangible assets, net	87,524	97,684	98,405
Deferred taxes	94,440	95,579	89,748
	1,475,848	1,502,340	1,465,858
	3,929,333	3,930,946	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 30 June 2024	As at 30 June 2023	As at 31 December 2023
	Unaudited	Unaudited	Audited
Liabilities and equity			
Current liabilities			
Credit from banks and other credit providers	442,813	441,952	403,694
Current maturities of debentures	82,698	85,442	84,080
Current maturities of lease liabilities	105,678	120,187	109,448
Trade payables	580,187	593,741	784,599
Income tax payable	11,759	9,975	14,770
Other accounts payable	47,032	58,993	80,965
Dividends payable	51,453	-	-
Employees and payroll accruals	438,931	393,799	447,510
Liabilities in respect of business combinations	469	4,205	-
Liabilities for put options for non-controlling interests	79,272	76,995	34,065
Deferred revenues	326,721	287,491	281,235
	2,167,013	2,072,780	2,240,366
Non-current liabilities			
Loans from banks	42,611	185,198	108,030
Debentures	327,917	392,805	360,426
Deferred revenues	64,194	21,644	17,673
Liabilities for put options for non-controlling interests	25,991	27,535	54,071
Lease liabilities	111,057	96,160	106,308
Deferred taxes	74,623	78,768	76,958
Liabilities in respect of business combinations	-	8,488	3,771
Employee benefit liabilities	8,005	8,550	9,105
	654,398	819,148	736,342
Equity attributable to Company shareholders			
Paid up share capital and capital reserves	384,663	386,370	382,606
Retained earnings	673,924	601,024	665,981
	1,058,587	987,394	1,048,587
Non-controlling interests	49,335	51,624	58,885
Total equity	1,107,922	1,039,018	1,107,472
	3,929,333	3,930,946	4,084,180

8 August, 2024

Date of approval of the financial statements

Guy Bernstein
Chair of the Board of
DirectorsMoti Gutman
CEONevo 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 six months ended 30 June 2024	For the six months ended 30 June 2023	For the three months ended 30 June 2024	For the three months ended 30 June 2023	For the year ended 31 December 2023
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Sales	2,786,445	2,577,895	1,332,732	1,286,742	5,232,105
Cost of sales and services	2,377,516	2,204,235	1,130,946	1,101,700	4,467,925
Gross profit	408,929	373,660	201,786	185,042	764,180
Selling and marketing expenses	97,663	90,437	46,615	45,261	189,698
General and administrative expenses	89,333	84,095	43,916	42,118	181,063
Operating profit	221,933	199,128	111,255	97,663	393,419
Financing expenses	42,388	42,488	20,898	21,728	82,738
Financing income	10,969	10,170	6,065	6,300	14,505
Income before taxes on income	190,514	166,810	96,422	82,235	325,186
Taxes on income	45,991	38,641	23,321	19,413	78,331
Net income	144,523	128,169	73,101	62,822	246,855
Other comprehensive income (net of tax effects)					
Amounts that will not be subsequently reclassified to profit or loss					
Actuarial gain from remeasurement of defined benefit plans	1,928	2,469	1,138	1,219	3,280
Amounts that will be, or that have been reclassified to profit or loss, if specific conditions are met					
Adjustments for translation of financial statements of foreign operations	11,894	17,678	7,065	8,651	11,981
Change in fair value of instruments used in cashflow hedging	(195)	(844)	(272)	(216)	(532)
Total comprehensive income	158,150	147,472	81,032	72,476	261,584
Net earnings attributable to:					
Company shareholders	138,141	119,357	69,495	58,617	227,333
Non-controlling interests	6,382	8,812	3,606	4,205	19,522
	144,523	128,169	73,101	62,822	246,855
Total comprehensive income attributable to:					
Company shareholders	151,616	138,627	77,570	68,241	241,865
Non-controlling interests	6,534	8,845	3,462	4,235	19,719
	158,150	147,472	81,032	72,476	261,584
Net earnings per share attributable to the Company's shareholders (in NIS)					
Basic net income	2.17	1.88	1.09	0.92	3.58
Diluted net income	2.17	1.88	1.09	0.92	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)

	Issued 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 attributable to Company shareholders	Non-controlling interests	Total equity
Balance as at 1 January 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	-	-	-	-	-	-	138,141	138,141	6,382	144,523
Adjustments for translation of financial statements of foreign operations and cashflow hedge	-	-	-	11,547	-	-	-	11,547	152	11,699
Actuarial gain from remeasurement of defined benefit plans	-	-	-	-	-	-	1,928	1,928	-	1,928
Total other comprehensive income	-	-	-	11,547	-	-	1,928	13,475	152	13,627
Total comprehensive income	-	-	-	11,547	-	-	140,069	151,616	6,534	158,150
Dividend declared	-	-	-	-	-	-	(132,126)	(132,126)	-	(132,126)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(8,672)	(8,672)
Transaction with holders of non-controlling interests	-	-	-	-	-	(18,487)	-	(18,487)	(7,412)	(25,899)
Share-based payment	-	-	-	-	-	8,997	-	8,997	-	8,997
Balance as at 30 June 2024	68,255	309,447	(7,982)	3,212	10,186	1,545	673,924	1,058,587	49,335	1,107,922

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

Consolidated Statements of Changes in Equity

Unaudited (in NIS thousands)

	Issued 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 attributable to Company shareholders	Non-controlling interests	Total equity
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	-	-	-	-	-	-	119,357	119,357	8,812	128,169
Adjustments for translation of financial statements of foreign operations and cashflow hedge	-	-	-	16,801	-	-	-	16,801	33	16,834
Actuarial gain from remeasurement of defined benefit plans	-	-	-	-	-	-	2,469	2,469	-	2,469
Total other comprehensive income	-	-	-	16,801	-	-	2,469	19,270	33	19,303
Total comprehensive income	-	-	-	16,801	-	-	121,826	138,627	8,845	147,472
Exercise of employee phantom options	253	3,553	-	-	-	(3,806)	-	-	-	-
Dividend declared	-	-	-	-	-	-	(82,579)	(82,579)	-	(82,579)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(7,504)	(7,504)
Transaction with holders of non-controlling interests	-	-	-	-	-	7,753	-	7,753	1,817	9,570
Share-based payment	-	-	-	-	-	7,184	-	7,184	-	7,184
Balance as at 30 June 2023	68,255	309,447	(7,982)	(2,786)	10,186	9,250	601,024	987,394	51,624	1,039,018

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

Consolidated Statements of Changes in Equity

Unaudited (in NIS thousands)

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

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

Consolidated Statements of Changes in Equity

Unaudited (in NIS thousands)

	Issued 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 attributable to Company shareholders	Non-controlling interests	Total equity
Balance as at 1 April 2023	68,255	309,447	(7,982)	(11,191)	10,186	(2,401)	586,289	952,603	50,409	1,003,012
Net income	-	-	-	-	-	-	58,617	58,617	4,205	62,822
Adjustments for translation of financial statements of foreign operations and cashflow hedge	-	-	-	8,405	-	-	-	8,405	30	8,435
Actuarial gain from remeasurement for defined benefit plans	-	-	-	-	-	-	1,219	1,219	-	1,219
Total other comprehensive income	-	-	-	8,405	-	-	1,219	9,624	30	9,654
Total comprehensive income	-	-	-	8,405	-	-	59,836	68,241	4,235	72,476
Transaction with holders of non-controlling interests	-	-	-	-	-	7,015	-	7,015	1,490	8,505
Dividend declared	-	-	-	-	-	-	(45,101)	(45,101)	-	(45,101)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(4,510)	(4,510)
Share-based payment	-	-	-	-	-	4,636	-	4,636	-	4,636
Balance as at 30 June 2023	68,255	309,447	(7,982)	(2,786)	10,186	9,250	601,024	987,394	51,624	1,039,018

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

Consolidated Statements of Changes in Equity

Unaudited (in NIS thousands)

	Issued 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 attributable to Company shareholders	Non-controlling interests	Total equity
Balance as at 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
Actuarial gain 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 employee phantom options	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 six months ended 30 June	For the six months ended 30 June	For the three months ended 30 June	For the three months ended 30 June	For the year ended 31 December
	2024 Unaudited	2023 Unaudited	2024 Unaudited	2023 Unaudited	2023 Audited
Cash Flows from Current Operations					
Net income	144,523	128,169	73,101	62,822	246,855
Adjustments required to reconcile net income to net cash (used in)/provided by operating activities:					
Adjustments to profit and loss items					
Depreciation and amortization	90,538	97,459	43,732	50,161	203,619
Taxes on income	45,991	38,641	23,321	19,413	78,331
Change in liabilities for employee benefits	1,404	3,357	909	1,064	4,966
Other financing expenses, net	11,199	32,627	4,993	17,655	39,196
Revaluation of long-term bank loans	(205)	(152)	(97)	10	(535)
Revaluation of liabilities in respect of business combinations	(2,741)	507	(2,741)	539	(348)
Capital gain from disposal of property, plant, and equipment	(248)	(334)	(196)	(111)	(292)
Share-based payment	8,997	7,184	4,509	4,407	16,106
Appreciation of liabilities for put options for non-controlling interests	6,017	5,611	3,905	2,629	10,175
	160,952	184,900	78,335	95,767	351,218
Changes in assets and liabilities items					
Increase (decrease) in trade receivables	16,250	(25,991)	63,923	(46,238)	(73,925)
Decrease (increase) in other receivables and prepaid expenses	(44,427)	8,194	(8,112)	41,431	22,029
Decrease (increase) in inventories	38,869	(6,160)	12,972	(5,380)	(12,424)
Increase (decrease) in trade payables	(207,343)	(108,079)	(75,628)	35,407	84,766
Increase (decrease) in employees and institutions, liabilities, deferred revenues, and other accounts payable	47,099	(41,888)	(35,418)	(41,180)	24,825
	(149,552)	(173,924)	(42,263)	(15,960)	45,271
Cash paid and received over the course of the period for					
Interest paid	(26,207)	(35,721)	(8,926)	(15,701)	(54,917)
Interest received	10,969	-	6,065	-	14,505
Taxes paid	(71,722)	(62,519)	(27,568)	(32,529)	(113,262)
Taxes received	24,850	5,183	16,892	1,153	6,529
	(62,110)	(93,057)	(13,537)	(47,077)	(147,145)
Net cash from (used in) current operations	93,813	46,088	95,636	95,552	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 six months ended 30 June	For the six months ended 30 June	For the three months ended 30 June	For the three months ended 30 June	For the year ended 31 December
	2024 Unaudited	2023 Unaudited	2024 Unaudited	2023 Unaudited	2023 Audited
Cash flow from investment activities					
Proceeds from sale of property, plant, and equipment	1,559	2,595	582	1,456	3,398
Acquisition of property, plant, and equipment	(15,811)	(25,075)	(6,227)	(11,794)	(38,866)
Software development costs	-	(1,250)	-	(500)	(2,250)
Acquisition of initially consolidated subsidiaries (a)	-	(38,034)	-	-	(38,034)
Net cash from (used in) investment operations	(14,252)	(61,764)	(5,645)	(10,838)	(75,752)
Cashflows from financing operations					
Short-term credit from banks and other credit providers, net	63,234	(22,630)	22,594	(26,988)	(35,626)
Repayment of long-term loans from banks and credit providers	(89,329)	(121,129)	(44,707)	(57,348)	(223,175)
Dividend distribution	(80,673)	(82,579)	(80,673)	(82,579)	(126,409)
Repayment of liabilities in respect of business combinations	(561)	(11,903)	(561)	(9,004)	(15,211)
Repayment of lease liabilities	(64,354)	(65,987)	(32,842)	(33,201)	(137,896)
Dividend distribution to non-controlling interests	(18,838)	(13,928)	(16,742)	(10,934)	(27,242)
Repayment of liabilities for put options to non-controlling interests	(1,124)	(10,779)	(1,124)	(10,779)	(29,352)
Acquisition of non-controlling interests	(3,499)	-	(3,000)	-	-
Repayment of debentures	(33,959)	-	-	-	(33,959)
Net cash used in financing activities	(229,103)	(328,935)	(157,055)	(230,833)	(628,870)
Translation differences for cash and cash-equivalent balances	7,734	13,471	4,631	6,278	9,318
Increase (decrease) in cash and cash equivalents	(141,808)	(331,140)	(62,433)	(139,841)	(199,105)
Balance of cash and cash equivalents at beginning of period	640,208	839,313	560,833	648,014	839,313
Balance of cash and cash equivalents at end of the period	498,400	508,173	498,400	508,173	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 six months ended 30 June	For the six months ended 30 June	For the three months ended 30 June	For the three months ended 30 June	For the year ended 31 December
	2024	2023	2024	2023	2023
	Unaudited	Unaudited	Unaudited	Unaudited	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, net	-	(287)	-	-	(287)
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 for options to holders of non-controlling interests	-	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	51,453	-	51,453	-	-
Right-of-use asset recognized with corresponding lease liability	65,143	100,678	18,767	45,464	171,606
Issuing of call options to non-controlling interests	22,400	-	-	-	-

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

Notes to the Interim Consolidated Financial Statements

NOTE 1 GENERAL

- A. Matrix IT Ltd. (the “Company”) was incorporated in Israel on 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 30 June 2024 and for the six months and three months then ended (the “Consolidated Interim Financial Statements”). The condensed consolidated financial statements of the Group as at 30 June 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 30.06.24	As at 30.06.23	As at 31.12.23
Consumer price index (2020 basis)			
In Israel (actual CPI)	113.5	110.4	111.2
In Israel (known CPI)	113.4	110.4	111.3
NIS exchange rate			
USD	3.76	3.70	3.63
EUR	4.02	4.01	4.01

Notes to the Interim Consolidated Financial Statements

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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

	For the six months ended 30.06.24	For the six months ended 30.06.23	For the three months ended 30.06.24	For the three months ended 30.06.23	For the year ended 31.12.13
Consumer price index (2020 basis)					
In Israel (actual CPI)	2.07%	2.17%	1.13%	0.97%	2.96%
In Israel (known CPI)	1.89%	2.46%	1.61%	1.36%	3.34%
NIS exchange rate					
USD	3.64%	5.14%	2.12%	2.35%	3.07%
EUR	0.21%	7.07%	1.03%	2.19%	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.)

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 overseas) 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.)

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

B. Composition

	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	1,523,354	86,512	206,480	735,075	235,024		2,786,445
Inter-segmental sales	45,200	3,593	12,856	26,985	2,461	(91,095)	-
 Sales	 1,568,554	 90,105	 219,336	 762,060	 237,485	 (91,095)	 2,786,445
Segmental operating results	123,669	4,815	16,285	50,456	33,888	(7,180)	221,933
Financing expenses							(42,388)
Financing income							10,969
Taxes on income							(45,991)
Net income							144,523

Notes to the Interim Consolidated Financial Statements

NOTE 3 SEGMENTS (CONT.)

For the six months ended 30 June 2023 unaudited (in NIS thousands)

B. Composition

	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	1,422,007	96,485	129,891	698,728	230,784	-	2,577,895
Inter-segmental sales	41,958	2,846	14,795	32,522	160	(92,281)	-
 Sales	 1,463,965	 99,331	 144,686	 731,250	 230,944	 (92,281)	 2,577,895
Segmental operating results	103,416	12,126	12,911	43,263	32,996	(5,584)	199,128
Financing expenses							(42,488)
Financing income							10,170
Taxes on income							(38,641)
Net income							128,169

Notes to the Interim Consolidated Financial Statements

NOTE 3 SEGMENTS (CONT.)

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

B. Composition (cont.)

	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	752,576	40,758	114,843	306,782	117,773	-	1,332,732
Inter-segmental sales	21,714	2,252	7,142	17,496	1,022	(49,626)	-
 Sales	 774,290	 43,010	 121,985	 324,278	 118,795	 (49,626)	 1,332,732
Segmental operating results	62,080	3,077	8,926	22,826	16,919	(2,573)	111,255
Financing expenses							(20,898)
Financing income							6,065
Taxes on income							(23,321)
Net income							73,101

Notes to the Interim Consolidated Financial Statements

NOTE 3 SEGMENTS (CONT.)

For the three months ended 30 June 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	703,332	46,685	76,405	337,246	123,074	-	1,286,742
Inter-segmental sales	24,628	1,531	5,801	18,820	-	(50,780)	-
Sales	727,960	48,216	82,206	356,066	123,074	(50,780)	1,286,742
Segmental operating results	49,186	5,422	7,674	20,094	18,291	(3,004)	97,663
Financing expenses							(21,728)
Financing income							6,300
Taxes on income							(19,413)
Net income							62,822

Notes to the Interim Consolidated Financial Statements

NOTE 3 SEGMENTS (CONT.)

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	<u>2,946,194</u>	<u>177,837</u>	<u>329,727</u>	<u>1,514,019</u>	<u>487,189</u>	<u>(222,861)</u>	<u>5,232,105</u>
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

A. 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).

Following the declaration of the dividend on 15 May 2024, on 25 July 2024, the Company distributed a dividend in the amount of NIS 51.45 million to its shareholders (representing NIS 0.81 for each NIS 1 par value ordinary shares).

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

In the first quarter, the Company entered into a mutual put/call options agreement with a non-controlling shareholder in a subsidiary for the sale and acquisition of the balance of the subsidiary's shares. Similarly, in the second quarter, the Company entered into a mutual future options agreement with a non-controlling shareholder in a different subsidiary for the acquisition of the balance of his shares in the subsidiary. These transactions were recorded as a transaction with holders of non-controlling interests and imputed directly to shareholder equity.

C. Commercial Securities ("NAAM")- Extension of Duration

In March 2024, the Company received the consent of the holders of the Commercial Securities to extend the term of the Commercial Securities by another five years, until 29 November 2029. (For further information, see Note 10 C to the Consolidated Financial Statements for 2023.)

NOTE 5 POST BALANCE SHEET EVENTS

Commercial Securities ("NAAM")- Extension of Series and Improvement of Terms

On 18 July, 2024, the Company expanded this series of Commercial Securities by an additional NIS 100 million (for a total of NIS 300 million). Similarly, the terms of the Commercial Securities have been amended such that as of that same date, the Commercial Securities bear variable interest at the Bank of Israel rate plus 0.25% (instead of 0.5%), and without any modification to the remaining terms.