



MATRIX I.T. LTD.

Quarterly Report as at
30 September, 2024
(Unaudited)



Table of Content

CHAPTER A

Board Of Directors` Report For the three months ended September 30, 2024

CHAPTER B

Interim Consolidated Financial Statements as at 30 September, 2024



CHAPTER A

Board of Directors' Report
for the nine months
ended 30 September 2024



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	Material events after the date of the financial statements	7
1.1.5	Summary of the Statements of Consolidated Profit for the Three Months and Nine Months Ending 30 September 2024 and 2023	8
1.2	Analysis of Results of Operations	9
1.2.1	Seasonality	9
1.2.2	Consolidated Analysis of Profit and Loss	9
1.2.3	Summary of consolidated profit and loss results by operating segment for the three months ended 30 September 2024 and 2023 and for the nine months ending on that same date	14
1.2.4	Analysis of operating results by operating segments	17
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	27
	Appendix A – Details regarding the Series B Debentures issued by the Company and held by the public at the report date	28

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 in Israel and overseas.

The Matrix Group employs approximately 11,520 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 ("**Cloud Infrastructures and Computing**"); and (5) Training and Implementation ("**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 has faced in recent years the consequences of rising inflation, rising interest rates, and low growth. In the US, inflation is 2.4% (September 2024, in annual terms based on the last 12 months (LTM)), reflecting a continued decrease in the inflationary rate during that period.

Parallel to the decrease in inflation, the US Federal Reserve Bank decreased interest rates from 5.5% to 4.75%.

Israel Economic Environment¹

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. As of now, more than a year since the attack on residents of the State of Israel, the war against terror organizations (that are supported by Iran) continues in the Gaza Strip, in Lebanon, and in Syria. Additionally, there is direct conflict with Iran, which has thus far carried out two direct attacks by launching ballistic and cruise missiles as well as UAVs against the State of Israel. In October 2024, in response to the Iranian attacks against it, the State of Israel attacked military and other targets on Iranian soil.

The war has thus far cost the lives of more than 1,700 Israelis and led to thousands more being injured. In addition, over 101 Israeli citizens and soldiers are still being held hostage. During the course of the war, some 100,000 Israelis were evacuated. The security situation, by nature, directly affects the state of the economy and economic activity in Israel. International ratings agencies reduced the State of Israel's credit rating significantly because of the increased geopolitical risks as a result of the worsening of hostilities and the concern over long term harm to the Israeli economy. Credit ratings are currently: Moody's - Baa1 (negative outlook); S&P - A- (negative outlook). 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 war's impact on the geopolitical situation includes its impact on Israel's trade agreements and bilateral collaboration agreements. 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.

We note that 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.

The downtrend in inflation toward the end of 2023 and this moderation continued in the first quarter of 2024 and reversed during the second quarter of 2024. The CPI is currently increasing (September index - LTM) at a rate of 3.5%. Accordingly, Bank of Israel revised the inflation forecast for the end of 2024 from 3.3% to 3.8%. As a direct result, the Bank of Israel has announced that it does not expect interest rate reductions before the end of the year.

¹ Within this section, various data based on studies and different websites were included. The Company did not request, and in any case did not receive, the consent of the editors of the aforementioned websites for the inclusion of such information in the report. Such information is publicly available to the best of the Company's knowledge. Additionally, no verification was conducted by the Company regarding their accuracy or reliability.

Currently, there is a continued concerns over the resurgence of inflationary pressures in Israel, *inter alia*, due to 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 and direct conflict with Iran, and in light of the possible effect on the prices of goods, maritime traffic (including the attacks by the Houthis from Yemen) and over the exchange rates of the main currencies against the shekel.

Heavy war related spending has also led to an increase in Israel's trade deficit that stood, in September of this year, at 8.3% of GDP, compared to 1.5% of GDP on the eve of the war.

Conversely, there are economic indicators of the stability of the Israeli market. These include a low unemployment rate (2.7% in August of this year) and 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 third 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 170 and approximately 260 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 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 quarter, the Company received such remuneration from the National Insurance Institute, all of it for the current quarter.

We note as well that during the first six months of the year, the Company received said reimbursement from the National Insurance Institute in the sum of NIS 11 million (of which NIS 6 million was retroactive reimbursement for Q4/23 and the remainder was for the current year). We note that the amount reimbursed by the National Insurance Institute was recognized in the financial statements as a decrease in “cost of sales,” and is close to the net expenditure recorded by the Company (in the “cost of sales” line) during the relevant periods.

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

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 information mentioned above in this section regarding the Company's assessments concerning the implications and effects of the war on the Israeli economy and the Company's operations constitutes forward-looking information, as defined in the Securities Law, 1968 (the "**Securities Law**"). It is based on management's assessments and business experience, as well as assumptions, various scenarios, analyses, and public information, along with the assessments of research companies and analysts as of the report date. 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.

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 Material events after the date of the financial statements

Acquisition of US Operations

On 13.11.2024, the Company, through its subsidiary Matrix Holding US LLC, completed the acquisition of 51% of the rights in a U.S. operation engaged in providing Advisory services and expert supply in the field of Governance, Regulation & Compliance within the American financial market, for a total sum of USD 2 million.

As part of the transaction, the Company committed to paying the sellers an additional contingent consideration based on the Company's performance over the next three years. In addition, the Company holds a Call option to purchase the remaining rights of the sellers in the operation.

1.1.5 Summary of the Statements of Consolidated Profit for the Three Months and Nine Months Ending 30 September 2024 and 2023 (in NIS Thousands)

	For the three months ended	For the three months ended	Change in %	For the nine months ended	For the nine months ended	Change in %
	30.09.24	30.09.23		30.09.24	30.09.23	
Sales	1,418,810	1,333,520	6.4%	4,205,255	3,911,415	7.5%
Cost of sales and services	1,213,763	1,146,416	5.9%	3,591,279	3,350,651	7.2%
Gross profit	205,047	187,104	9.6%	613,976	560,764	9.5%
% of sales	14.5%	14.0%		14.6%	14.3%	
Selling and marketing expenses	48,650	47,986	1.4%	146,313	138,423	5.7%
General and administrative expenses	48,216	45,839	5.2%	137,549	129,934	5.9%
Operating profit	108,181	93,279	16.0%	330,114	292,407	12.9%
% of sales	7.6%	7.0%		7.9%	7.5%	
Financing expenses, net	16,155	17,007	(5.0%)	47,574	49,325	(3.5%)
Profit before taxes on income	92,026	76,272	20.7%	282,540	243,082	16.2%
Taxes on income	22,308	19,507	14.4%	68,299	58,148	17.5%
Net income	69,718	56,765	22.8%	214,241	184,934	15.8%
% of sales	4.9%	4.3%		5.1%	4.7%	
Net earnings attributable to						
Company shareholders	64,396	51,439	25.2%	202,537	170,796	18.6%
Non-controlling interests	5,322	5,326	(0.1%)	11,704	14,138	(17.2%)
Net income	69,718	56,765	22.8%	214,241	184,934	15.8%
% of sales	4.9%	4.3%		5.1%	4.7%	
EBITDA²	122,077	109,747	11.2%	371,352	340,425	9.1%
% of sales	8.6%	8.2%		8.8%	8.7%	

² Earnings before interest, taxes, depreciation amortization, and net of the effect of IFRS 16 - Leases.

1.2 Analysis of Results of Operations

1.2.1 Seasonality

During the third quarter and during the period, the number of work hours was 5.8% higher and 0.8% higher compared the corresponding periods last year, respectively. This was due to the timing of the Jewish High Holidays that in 2024, occurred during the fourth quarter whereas during the parallel period, they fell on the third quarter. (For details, see also, section 9 of the Chapter "Description of the Corporation's Business" as at 31 December 2023, regarding "Seasonality.") The overwhelming majority of the impact of said seasonality was on the information technology solutions and services, consulting, and management in Israel segment.

1.2.2 Consolidated Analysis of Profit and Loss

1. Sales

The Company's sales in the quarter amounted to NIS 1,418.8 million, compared to NIS 1,333.5 million in the corresponding quarter last year, an increase of approximately 6.4%. The Company's sales in the period amounted to NIS 4,205.2 million, compared to NIS 3,911.4 million in the corresponding period last year, an increase of approximately 7.5%.

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, offset in part by a decrease in sales compared to the corresponding quarter of the previous year, in the cloud infrastructures and computing segment, in the information technology solutions and services in the United States segment, and in the training and implementation segment.

The increase in sales in this period is due to the increase in the scope of activity in all segments, deriving entirely from an organic increase in the Company's operations, except for a decrease in the information technology solutions and services in the United States segment and in the training and implementation segment.

Additionally, with regard to the impact of the increased rate of transactions whose sales are presented on a net basis out of all of the Company's income, see Section 5, above.

2. Gross profit

Gross profit in the quarter amounted to a record NIS 205 million (14.5% of sales), compared with NIS 187.1 million in the corresponding quarter last year (14% of sales), an increase of 9.6%.

Gross profit in the quarter amounted to a record NIS 614 million (14.6% of sales), compared with NIS 560.8 million in the corresponding quarter last year (14.3% of sales), an increase of 9.5%.

The increase in gross profit and its percentage out of total sales derived from an increase in the volume of the Company's operations as well as an increase in work hours during the quarter and the period compared to the corresponding periods last year. (See the details, above, regarding seasonality.)

3. Selling, marketing, administrative, and general expenses

Selling, marketing, administrative and general expenses in the quarter amounted to NIS 96.9 million (6.8% of sales), compared with NIS 93.8 million in the corresponding quarter last year (7% of sales). Selling, marketing, administrative and general expenses in the period amounted to NIS 283.9 million (6.8% of sales), compared with NIS 268.3 million in the corresponding period last year (6.9% of sales).

The increase in selling, marketing, administrative and general expenses during the quarter and during the period derived from an increase in the volume of operations, while its share of total sales decreased.

It should be noted that selling expenses include an amount of NIS 5.4 million and NIS 16.3 million during the quarter and during the period (compared with NIS 5.9 million and NIS 19.9 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 13.5 million during the quarter and during the period (compared with NIS 4.4 million and NIS 11.6 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 108.2 million (7.6% of sales), compared with NIS 93.3 million in the corresponding quarter last year (7% of sales), an increase of 16%.

Operating profit in the quarter amounted to a record NIS 330.1 million (7.9% of sales), compared with NIS 292.4 million in the corresponding quarter last year (7.5% of sales), an increase of 12.9%, deriving entirely from organic growth.

Most of the growth in operating profit during the quarter and during the period, compared to the corresponding periods last year, is attributed to the information technology solutions and services, consulting, and management in Israel segment, and to the cloud infrastructures and computing segment. This increase was offset in part by a decrease in the information technology solutions and services in the United States segment and in the training and implementation segment. Additionally, with regard to the impact of the increased rate of transactions whose revenues are presented on a net basis out of all of the Company's income on the rate of its operating profit, see Section 5, above.

5. Key results of the Company excluding the impact of presenting income on a gross/net basis

During the third quarter and the cumulative period, the Company recorded an increase in the rate of sales from transactions, which, according to IFRS, must be recognized on a net basis (most of the increase was in the Cloud and computing infrastructure segment). This affects the Company's sales volume, sales growth rate, and profit margin. For convenience and to neutralize the aforementioned external/accounting effects, the following is an analysis of the Company's sales and operating profit, excluding the impact of gross/net sales presentation.

	For the three months ended	For the three months ended	Change in %	For the nine months ended	For the nine months ended	Change in %
	30.09.24	30.09.23		30.09.24	30.09.23	
Sales	1,418,810	1,333,520	6.4%	4,205,255	3,911,415	7.5%
Adjustments for the increase in revenue accounted for on a net basis	65,844	-		96,268	-	
Adjusted sales	1,484,654	1,333,520	11.3%	4,301,523	3,911,415	10%
Operating profit	108,181	93,279	16%	330,114	292,407	12.9%
% of sales	7.3%	7%		7.7%	7.5%	

6. Financing expenses/income (net)

Financing expenses (net) in the quarter amounted to NIS 16.2 million, compared with financing expenses (net) in the amount of NIS 17 million in the corresponding quarter last year.

Financing expenses (net) in the period amounted to NIS 47.6 million, compared with financing expenses (net) in the amount of NIS 49.3 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 nine months ended	For the nine months ended
	30.09.24	30.09.23	30.09.24	30.09.23
Interest, commissions, and other (net)	5,897	9,425	19,354	31,117
Exchange rate differences	4,335	277	9,723	(4,448)
Accounting finance expenses*	5,923	7,305	18,497	22,656
Total financing expenses (net)	16,155	17,007	47,574	49,325

* 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 third 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 an increase in exchange difference expenses in the quarter and in the period compared with the corresponding periods last year.

7. Taxes on income

Tax expenses in this quarter amounted to NIS 22.3 million (24.2% of pretax profit) compared to NIS 19.5 million (25.6% of pretax profit) in the corresponding quarter last year.

Tax expenses in this period amounted to NIS 68.3 million (24.2% of pretax profit) compared to NIS 58.1 million (23.9% of pretax profit) in the corresponding period last year.

The increase in tax expenses is due to an increase in profit. The decrease in the Company's effective tax rate during the quarter compared to the corresponding quarter last year derives primarily from tax returns received for prior years.

8. Net income

Net earnings in the quarter amounted to a record NIS 69.7 million (4.9% of sales) compared to NIS 56.7 million in the corresponding quarter last year (4.3% of sales), an increase of 22.8%.

Net earnings in the period amounted to a record NIS 214.2 million (5.1% of sales) compared to NIS 184.9 million in the corresponding period last year (4.7% of sales), an increase of 15.8%.

9. Net income attributable to Company shareholders

Net earnings attributable to shareholders in the quarter amounted to NIS 64.4 million (4.5% of sales) compared to NIS 51.4 million in the corresponding quarter last year (3.9% of sales). Net earnings attributable to shareholders in the period amounted to NIS 202.5 million (4.8% of sales) compared to NIS 170.8 million in the corresponding period last year (4.7% of sales).

10. Total earnings (in NIS thousands)

	For the three months ended	For the three months ended	For the nine months ended	For the nine months ended
	30.09.24	30.09.23	30.09.24	30.09.23
Net income	69,718	56,765	214,241	184,934
Other comprehensive income (loss) (net of tax effects)				
Actuarial gain (loss) from remeasurement of defined benefit plans	(5)	1,516	1,923	3,985
Adjustments for translation of financial statements of foreign operations	(3,705)	12,535	8,189	30,213
Change in fair value of instruments used in cash flow hedging	63	200	(132)	(644)
Total comprehensive earnings	66,071	71,016	224,221	218,488

11. 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 nine months ended	For the nine months ended	Change in %
	30.09.24	30.09.23		30.09.24	30.09.23	
Operating profit	108,181	93,279	16%	330,114	292,407	12.9%
Depreciation and amortization	47,284	52,152	(9.3%)	137,822	149,611	(7.9%)
EBITDA	155,465	145,431	6.9%	467,936	442,018	5.9%
% of sales	11.0%	10.9%		11.1%	11.3%	
Neutralizing depreciation expenses IFRS 16 ³	33,388	35,684	(6.4%)	96,584	101,593	(4.9%)
EBITDA net of IFRS 16	122,077	109,747	(11.2%)	371,352	340,425	9.1%
% of sales	8.6%	8.2%		8.8%	8.7%	

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

	For the three months ended	For the three months ended	For the nine months ended	For the nine months ended
	30.09.24	30.09.23	30.09.24	30.09.23
Basic earnings per share	1.01	0.81	3.19	2.69
Diluted earnings per share	1.01	0.81	3.19	2.69

³ 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 September 2024 and 2023 and for the nine months ending on that same date (in NIS Thousands)

	For the three months ended 30.09.24	For the three months ended 30.09.23	Change in %	For the nine months ended 30.09.24	For the nine months ended 30.09.23	Change in %
Sales according to operating segment						
Information technology solutions and services, consulting and management in Israel ⁽¹⁾	820,454	735,500	11.6%	2,389,008	2,199,465	8.6%
Information technology solutions and services in the United States ⁽²⁾	111,104	126,279	(12.0%)	348,589	357,223	(2.4%)
Marketing and support for software products	118,610	79,777	48.7%	337,946	224,463	50.6%
Cloud infrastructures and computing	367,951	387,027	(4.9%)	1,130,011	1,118,278	1.0%
Training and implementation	44,098	44,038	0.1%	134,203	143,368	(6.4%)
Inter-segmental adjustments	(43,407)	(39,101)		(134,502)	(131,382)	
Total sales	1,418,810	1,333,520	6.4%	4,205,255	3,911,415	7.5%
Operating profit						
Information technology solutions and services, consulting and management in Israel ⁽¹⁾	54,873	43,868	25.1%	178,542	147,284	21.2%
Information technology solutions and services in the United States ⁽²⁾	16,511	19,972	(17.3%)	50,399	52,968	(4.9%)
Marketing and support for software products	9,067	8,121	11.6%	25,352	21,032	20.5%
Cloud infrastructures and computing	27,969	21,322	31.2%	78,425	64,585	21.4%
Training and implementation	1,317	2,017	(34.7%)	6,132	14,143	(56.6%)
Inter-segmental adjustments	(1,556)	(2,021)		(8,736)	(7,605)	
Operating profit	108,181	93,279	16.0%	330,114	292,407	12.9%

⁽¹⁾ Including immaterial operations in Europe

⁽²⁾ Including immaterial operations in Canada

	For the three months ended	For the three months ended	For the nine months ended	For the nine months ended
	30.09.24 percentage	30.09.23 percentage	30.09.24 percentage	30.09.23 percentage
Operating profit rate				
Information technology solutions and services, consulting, and management in Israel ⁽¹⁾	6.7%	6.0%	7.5%	6.7%
Information technology solutions and services in the United States ⁽²⁾	14.9%	15.8%	14.5%	14.8%
Marketing and support for software products	7.6%	10.2%	7.5%	9.4%
Cloud infrastructures and computing	7.6%	5.5%	6.9%	5.8%
Training and implementation	3.0%	4.6%	4.6%	9.9%
Operating profit percentages	7.6%	7.0%	7.9%	7.5%

	For the three months ended	For the three months ended	For the nine months ended	For the nine months ended
	30.09.24 - percentage	30.09.23 - percentage	30.09.24 - percentage	30.09.23 - percentage
Sales according to operating segment				
Information technology solutions and services, consulting and management in Israel ⁽¹⁾	56.1%	53.6%	55.1%	54.4%
Information technology solutions and services in the United States ⁽²⁾	7.6%	9.2%	8.0%	8.8%
Marketing and support for software products	8.1%	5.8%	7.8%	5.6%
Cloud infrastructures and computing	25.2%	28.2%	26.0%	27.7%
Training and implementation	3.0%	3.2%	3.1%	3.5%
Total sales in percentages	100%	100%	100%	100%

⁽¹⁾ Including immaterial operations in Europe

⁽²⁾ Including immaterial operations in Canada

	For the three months ended	For the three months ended	For the nine months ended	For the nine months ended
	30.09.24 - percentage	30.09.23 - percentage	30.09.24 - percentage	30.09.23 - percentage
Contribution to operating profit according to operating segments				
Information technology solutions and services, consulting and management in Israel ⁽¹⁾	50%	46.0%	52.7%	49.1%
Information technology solutions and services in the United States ⁽²⁾	15%	21.0%	14.9%	17.7%
Marketing and support for software products	8.3%	8.5%	7.5%	7.0%
Cloud infrastructures and computing	25.5%	22.4%	23.1%	21.5%
Training and implementation	1.2%	2.1%	1.8%	4.7%
Total contribution in percentages	100%	100%	100%	100%

⁽¹⁾ Including immaterial operations in Europe

⁽²⁾ Including immaterial operations in Canada

	For the three months ended	For the three months ended	Change in %	For the nine months ended	For the nine months ended	Change in %
	30.09.24	30.09.23		30.09.24	30.09.23	
Geographic information						
Sales						
Sales from customers in Israel	1,327,222	1,226,045	8.3%	3,919,323	3,624,584	8.1%
Sales from customers in the United States	111,104	126,279	(12.0%)	348,589	357,223	(2.4%)
Sales from customers in Europe	23,891	20,297	17.7%	71,845	60,990	17.8%
Inter-segmental adjustments	(43,407)	(39,101)		(134,502)	(131,382)	
Total sales	1,418,810	1,333,520	6.4%	4,205,255	3,911,415	7.5%
Operating profit						
Operating profit from customers in Israel	90,641	73,509	23.3%	282,307	241,389	17%
Operating profit from customers in the United States	16,511	19,972	(17.3%)	50,399	52,968	(4.9%)
Operating profit from customers in Europe	2,585	1,819	42.1%	6,144	5,655	8.6%
Inter-segmental adjustment	(1,556)	(2,021)		(8,736)	(7,605)	
Total operating profit	108,181	93,279	16.0%	330,114	292,407	12.9%

	For the three months ended	For the three months ended	For the nine months ended	For the nine months ended
	30.09.24 percentage	30.09.23 percentage	30.09.24 percentage	30.09.23 percentage
Geographical revenue rate				
Sales from customers in Israel	90.8%	89.3%	90.3%	89.7%
Sales from customers in the United States	7.6%	9.2%	8.0%	8.8%
Sales from customers in Europe	1.6%	1.5%	1.7%	1.5%
Total sales in percentages	100%	100%	100%	100%
Geographical operating profit rate				
Operating profit rate in Israel	6.8%	6.0%	7.2%	6.7%
Operating profit rate in the United States	14.9%	15.8%	14.5%	14.8%
Operating profit rate in Europe	10.8%	9.0%	8.6%	9.3%
Operating profit percentages	7.6%	7.0%	7.9%	7.5%
Rate of geographical contribution to operating profit				
Operating profit in Israel	82.6%	77.1%	83.3%	80.5%
Operating profit in the United States	15%	21.0%	14.9%	17.7%
Operating profit in Europe	2.4%	1.9%	1.8%	1.8%
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 820.5 million, compared to NIS 735.5 million in the corresponding quarter last year, an increase of approximately 11.6%. Segmental income in the period amounted to NIS 2,389 million, compared to NIS 2,199.5 million in the corresponding period last year, an increase of approximately 8.6%.

Operating profit

The segment's operating profit in this quarter amounted to NIS 54.9 million (6.7% of segmental sales), compared to NIS 43.9 million (6% of segmental sales) in the corresponding quarter last year, an increase of 25.1%.

The segment's operating profit in this period amounted to NIS 178.5 million (7.5% of the segmental sales), compared to NIS 147.3 million (6.7% of the segmental sales) in the corresponding period last year, an increase of 21.2%.

The increase in segmental sales and operating profit in the third 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 core systems, professional services, and defense operations, and derives in part from the impact of seasonality as set forth above. (The increase in work hours was higher by 5.8% and 0.8% during the quarter and the period, as compared with the corresponding periods last year.)

Operating profit and its percentage out of the total sales during the period was positively affected by the retroactive reimbursement of pension contributions for active-duty reservists received from the National Insurance Institute in the second quarter, the overwhelming 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 111.1 million, compared to NIS 126.3 million in the corresponding quarter last year, a decrease of 12%.

Segmental sales in this period amounted to NIS 348.6 million, compared to NIS 357.2 million in the corresponding period last year, a decrease of 2.4%.

Operating profit

The segment's operating profit in this quarter amounted to NIS 16.5 million (14.9% of segmental sales), compared to NIS 20 million (15.8% of segmental sales) in the corresponding quarter last year, a decrease of 17.3%.

The segment's operating profit in this period amounted to NIS 50.4 million (14.5% of the segmental sales), compared to NIS 53 million (14.8% of the segmental sales) in the corresponding period last year, a decrease of 4.9%.

The decrease in sales and operating profit in the third quarter and in the period compared to the corresponding period last year is the result of the completion of certain projects in the GRC sector during the course of the period, which was only 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 nine months ended	For the nine months ended	Percent change
	30.09.24	30.09.23		30.09.24	30.09.23	
Sales	29.9	35	(14.6%)	94.2	97.9	(3.8%)
Operating profit	4.4	5.5	(19.7%)	13.6	14.5	(6.1%)
Profit margin (%)	14.8%	15.8%		14.5%	14.8%	

Marketing and support of software products

Sales

The marketing and support of software products segmental revenues in this quarter amounted to NIS 118.6 million, compared to NIS 79.8 million in the corresponding quarter last year, an increase of approximately 48.7%.

Segmental sales in this period amounted to NIS 337.9 million, compared to NIS 224.5 million in the corresponding period last year, an increase of 50.6%.

Operating profit

The segment's operating profit in this quarter amounted to NIS 9.1 million (7.6% of segmental sales), compared to NIS 8.1 million (10.2% of segmental sales) in the corresponding quarter last year, an increase of 11.6%.

The segment's operating profit in this period amounted to NIS 25.4 million (7.5% of the segmental sales), compared to NIS 21 million (9.4% of the segmental sales) in the corresponding period last year, an increase of 20.5%.

The increase in segment sales and operating profit, alongside the decrease in profit margin, are due to an increase in the scope of segment operations, along with changes in the transactions mix.

Cloud infrastructure and computing

Sales

The cloud infrastructure and computing segmental sales in this quarter amounted to NIS 368 million, compared to NIS 387 million in the corresponding quarter last year, a decrease of approximately 4.9%.

Segmental sales in this period amounted to NIS 1,130 million, compared to NIS 1,118.3 million in the corresponding period last year, an increase of approximately 1%.

The slight decrease in segmental sales during the quarter and the slight increase in the period compared to the corresponding periods last year, is primarily due to a continued 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. For details regarding segmental sales net of the above accounting effect, see Section 5, above.

Operating profit

The cloud infrastructure and computing segment's operating profit in this quarter amounted to NIS 28 million (7.6% of segmental sales), compared to a profit of NIS 21.3 million (5.5% of segmental sales) in the corresponding quarter last year, an increase of 31.2%.

The segment's operating profit in this period amounted to NIS 78.4 million (6.9% of the segmental sales), compared to a profit of NIS 64.6 million (5.8% of the segmental sales) in the corresponding period last year, an increase of 21.4%.

The increase in operating profit for the quarter and the period, compared to the corresponding periods of the previous year, is due to an increase in the volume of activity in the segment, with an emphasis on sales, marketing, and integration of computer systems, as well as the transaction mix in the segment (higher-margin transactions compared to the corresponding periods). The increase in the operating profit margin as a percentage of total sales is partly due to the continued rise in the proportion of cloud transactions of the EDP type, whose revenues are presented on a net basis, as detailed above.

Key segmental results excluding the impact of presenting income on a gross/net basis

For convenience and to neutralize external/accounting effects arising from the increase in the percentage of sales presented on a net basis from the segment's total sales, an analysis of the Company's sales and operating profit excluding this impact is provided below.

	For the three months ended	For the three months ended	Change in %	For the nine months ended	For the nine months ended	Change in %
	30.09.24	30.09.23		30.09.24	30.09.23	
Sales	367,951	387,027	(4.9%)	1,130,011	1,118,278	1.0%
Adjustments for the increase in revenue accounted for on a net basis	39,203	-		89,802	-	
Adjusted sales	407,154	387,027	5.2%	1,219,813	1,118,278	9.1%
Operating profit	27,969	21,322	31.2%	78,425	64,585	21.4%
% of sales	6.9%	5.5%		6.4%	5.8%	

Training and implementation

Sales

Training and implementation segment sales in this period amounted to NIS 44.1 million, compared to NIS 44 million in the corresponding quarter last year, a decrease of 0.1%.

Segmental sales in this period amounted to NIS 134.2 million, compared to NIS 143.4 million in the corresponding period last year, a decrease of 6.4%.

Operating profit

The training and implementation segment's operating profit in this quarter amounted to NIS 1.3 million (3% of segmental sales), compared to a profit of NIS 2 million (4.6% of segmental sales) in the corresponding quarter last year, a decrease of 34.7%.

The segment's operating profit in this period amounted to NIS 6.1 million (4.6% of the segmental sales), compared to NIS 14.1 million (9.9% of the segmental sales) in the corresponding period last year, a decrease of 56.6%.

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 considering 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 (in agorot)	Amount of dividend (in NIS millions)
15.04.2024*	127	80.67
25.07.2024	81	51.45
01.10.2024	82	52.08
Total as at 30.09.24	290	184.2
Total as at 30.09.23	199	126.4
Change in %		45.7%

* 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 September 2024

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

	30.09.2024	31.12.2023	Change
Cash and cash equivalents	519,845	640,208	(120,363)
Short-term credit	(511,086)	(487,917)	(23,169)
Long-term credit	(319,493)	(468,456)	148,963
Net debt – short-term and long-term credit, net of cash and cash equivalents	(310,734)	(316,165)	5,431
Balance sheet total	4,094,300	4,035,232	59,068
Ratio of net financial debt to the total balance sheet	7.6%	7.8%	
Current ratio	1.1	1.2	
Retained earnings	686,227	665,981	20,246
Total equity attributable to shareholders	1,070,995	1,048,587	22,408
Ratio of shareholder equity to balance sheet	26.2%	26%	

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

	30.09.2024	31.12.2023	Change
Assets:			
Cash and cash equivalents	519,845	640,208	(120,363)
Trade receivables and unbilled receivables, net	1,746,539	1,676,969	69,570
Inventories	94,291	146,089	(51,798)
Goodwill	923,464	918,829	4,635
Intangible assets	82,136	98,405	(16,269)
Right-of-use assets	370,367	213,933	156,434
All others (property, plant, and equipment, deferred taxes, etc.)	357,658	340,799	16,859
Total assets	4,094,300	4,035,232	59,068
Liabilities:			
Short-term credit from banks and other credit providers	830,473	956,230	(125,757)
Trade payables	691,762	784,599	(92,837)
Deferred revenues	361,927	298,908	63,019
Leasing liabilities	372,622	215,756	156,866
Liabilities for options to holders of non-controlling interests and contingent liabilities for business combinations	104,256	91,907	12,349
All others	607,631	580,360	27,271
Total liabilities	2,968,671	2,927,760	40,911

The changes in the asset's 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.

The change 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).

Similarly, during the course of third quarter, there was a corresponding increase in Right-of-use assets and in lease liabilities in light of the transfer of the Company's management together with a large portion of its business units to new offices in Kfar Saba.

Summary statements of cash flow (in NIS thousands)

	For the three months ended	For the nine months ended	For the nine months ended
	30.09.2024	31.12.2023	Change
Cash flows from operating activities			
Net income	69,718	214,241	184,934
Adjustments to profit and loss items	84,709	245,661	256,515
Changes in assets and liabilities items	75,483	(74,069)	(161,596)
Cash paid and received for interest and taxes, net	(39,527)	(101,637)	(116,565)
Net cash used in financing operations	190,383	284,196	163,288
Cash flow from investment activities			
Acquisition of property, plant, and equipment	(18,218)	(34,029)	(32,602)
Acquisition of companies	-	-	(38,034)
Others (net)	133	1,692	1,878
Net cash used in investment operations	(18,085)	(32,337)	(68,758)
Cash flows for financing operations			
Repayment of credit, net	(127,449)	(153,544)	(155,219)
Receipt from the issuing of commercial securities (NAAM)	100,000	100,000	-
Dividend distribution	(51,453)	(132,126)	(126,409)
Repayment of liabilities in respect of business combinations	-	(561)	(12,472)
Payment of leasing liabilities	(31,732)	(96,086)	(101,689)
Distribution of dividends to non-controlling interests	(4,759)	(23,597)	(25,295)
Dividend paid to, and the acquisition of, non-controlling interests	-	(1,124)	(29,352)
Acquisition of non-controlling interests	(400)	(3,899)	-
Repayment of debentures	(33,959)	(67,918)	(33,959)
Net cash used in financing operations	(149,752)	(378,855)	(484,395)

Cash flows from operating activities

During the third quarter, the Company recorded a positive cashflow from ongoing operations in the sum of NIS 190.4 million, compared to a positive cashflow from ongoing operations in the sum of NIS 117.2 million in the corresponding quarter last year. During the course of the period, the Company recognized a positive cashflow from ongoing operations in the sum of NIS 284.2 million, compared to NIS 163.3 million in the corresponding period last year.

Cash flows from investment operations

The cashflow used in investment activities during the third quarter and the cumulative period amounted to NIS 18.1 million and NIS 32.3 million, respectively, compared with a cash flow used in investing activities amounting to NIS 7 million and NIS 68.8 million in the third quarter and in the corresponding period last year.

The majority of the difference in the quarter is attributed to investments in property, plant, and equipment due to the Company's relocation to offices in Kfar Saba. Most of the difference during this period 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 cash flow used in financing activities during the cumulative third quarter and the period amounted to NIS 149.8 million and NIS 378.9 million, respectively, compared to NIS 155.5 million and NIS 484.4 in the corresponding periods last year.

Average short-term credit (in NIS thousands) *

	30.09.2024	30.9.2023
Trade receivables	1,704,126	1,594,670
Trade payables	677,603	605,453

* 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 operating activities, credit, shareholder equity, and from outstanding financial 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 September 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 nine months ended 30.09.2024	For the nine months ended 30.09.2023
Opening balance	1,107,472	964,875
Net income	214,241	184,934
Dividends declared	(184,214)	(126,409)
Dividends to non-controlling interests	(9,059)	(9,565)
Translation differences	8,057	29,569
Share-based payment	13,508	11,618
Transaction with holders of non-controlling interests	*(26,299)	9,570
Actuarial earnings in respect of a benefit plan	1,923	3,985
Closing balance	1,125,629	1,068,577

- * In the first quarter, the Company entered into a mutual future options agreement with a non-controlling shareholder in a subsidiary for the sale/purchase of the minority interest in the subsidiary's shares. Similarly, in the second and third quarters, the Company entered into a mutual future options agreement with non-controlling shareholders in different subsidiaries for the acquisition of their shares in the subsidiaries. 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.

13 November 2024

Guy Bernstein
Chair of the Board
of Directors

Moti Gutman
CEO

Appendix A – Details regarding the Series B Debentures issued by the Company and held by the public at the report date

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 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 September 2024	373,738
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 September 2024 (amortized cost according to the effective interest method)	372,592
Accrued interest as at 30 September 2024	2,697
TASE fair value as at 30 September 2024	365,479
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 Debentures 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) e-mail: 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 28.03.2024 (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 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 Debentures 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 Debentures 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 September 2024, as follows:

Security	Balance of nominal value of the security in circulation as at 30 September 2024 (in NIS thousands)	Balance of nominal value of the security in circulation immediately prior to the report date (in NIS thousands)	Financial benchmark	Actual benchmark as at 30 September 2024
Series B Debentures	373,738	373,738	Ratio of consolidated net financial debt (as defined in the trust deed) to total balance sheet must not exceed 45%	7.6%
Series B Debentures	373,738	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	0.5
Series B Debentures	373,738	373,738	Shareholder equity (as defined in the trust deed) is minimal, must be no less than NIS 275,000 thousand	NIS 1,125,629 thousand

CHAPTER B

Interim Consolidated Financial Statements as at 30 September, 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 of Matrix IT Ltd.	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

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

Introduction

We have reviewed the accompanying interim financial information of Matrix IT Ltd. and its subsidiaries ("the Group"), that includes the condensed interim consolidated statement of financial position as at 30 September 2024, and the related condensed interim consolidated statements of profit and loss and other comprehensive income, changes in equity, and cashflows for the nine and three-month periods then ended. The Board of Directors and management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 "Interim Financial Reporting" and they are also responsible for the preparation of this interim financial information in accordance with Chapter D of Securities Regulations (Periodic and Immediate Reports) - 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of companies that were consolidated, whose assets included in consolidation constitute approximately 8.24% of total consolidated assets as of 30 September 2024, and whose revenues included in consolidation constitute approximately 9.67% of total consolidated revenues for the nine 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
13 November 2024

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

Consolidated Statements of Financial Position

(in NIS thousands)

	As at 30 September	As at 30 September	As at 31 December
	2024	2023	2023
	Unaudited	Unaudited	Audited
Assets			
Current assets			
Cash and cash equivalents	519,845	468,291	640,208
Trade receivables and unbilled receivables, net	1,746,539	1,682,490	1,676,969
Income tax receivable	42,124	44,653	53,376
Other accounts receivable	113,123	119,970	101,680
Inventories	94,291	135,933	146,089
	2,515,922	2,451,337	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	36,207	33,893	32,785
Right-of-use assets	370,367	202,698	213,933
Property, plant, and equipment, net	102,984	100,162	95,358
Goodwill	923,464	942,963	918,829
Intangible assets, net	82,136	89,195	98,405
Deferred taxes*	46,074	45,508	40,800
	1,578,378	1,431,219	1,416,910
	4,094,300	3,882,556	4,035,232

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

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

Consolidated Statements of Financial Position

(in NIS thousands)

	As at 30 September 2024 Unaudited	As at 30 September 2023 Unaudited	As at 31 December 2023 Audited
Liabilities and equity			
Current liabilities			
Credit from banks and other credit providers	430,541	473,009	403,694
Current maturities of debentures	80,439	83,148	84,080
Current maturities of lease liabilities	115,875	110,110	109,448
Trade payables	691,762	650,477	784,599
Income tax payable	6,726	12,534	14,770
Other accounts payable	52,689	45,358	80,965
Dividends payable	52,088	-	-
Employees and payroll accruals	464,800	410,117	447,510
Liabilities in respect of business combinations	469	2,888	-
Liabilities for put options for non-controlling interests	80,491	47,709	34,065
Deferred revenues	305,608	295,821	281,235
	2,281,488	2,131,171	2,240,366
Non-current liabilities			
Loans from banks	27,340	142,407	108,030
Debentures	292,153	356,433	360,426
Deferred revenues	56,319	16,704	17,673
Liabilities for put options for non-controlling interests	23,296	31,968	54,071
Lease liabilities	256,747	94,874	106,308
Deferred taxes*	23,993	28,467	28,010
Liabilities in respect of business combinations	-	3,771	3,771
Employee benefit liabilities	7,335	8,184	9,105
	687,183	682,808	687,394
Equity attributable to Company shareholders			
Paid up share capital and capital reserves	384,768	403,313	382,606
Retained earnings	686,227	610,149	665,981
	1,070,995	1,013,462	1,048,587
Non-controlling interests			
	54,634	55,115	58,885
Total equity			
	1,125,629	1,068,577	1,107,472
	4,094,300	3,882,556	4,035,232

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

13 November 2024

Date of approval of the
financial statementsGuy 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- other than data on net earnings per share)

	For the nine months ended 30 September 2024	For the nine months ended 30 September 2023	For the three months ended 30 September 2024	For the three months ended 30 September 2023	For the year ended 31 December 2023
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Sales	4,205,255	3,911,415	1,418,810	1,333,520	5,232,105
Cost of sales and services	3,591,279	3,350,651	1,213,763	1,146,416	4,467,925
Gross profit	613,976	560,764	205,047	187,104	764,180
Selling and marketing expenses	146,313	138,423	48,650	47,986	189,698
General and administrative expenses	137,549	129,934	48,216	45,839	181,063
Operating profit	330,114	292,407	108,181	93,279	393,419
Financing expenses	62,894	62,189	20,506	19,701	82,738
Financing income	15,320	12,864	4,351	2,694	14,505
Income before taxes on income	282,540	243,082	92,026	76,272	325,186
Taxes on income	68,299	58,148	22,308	19,507	78,331
Net income	214,241	184,934	69,718	56,765	246,855
Other comprehensive income (net of tax effects)					
Amounts that will not be subsequently reclassified to profit or loss					
Actuarial gain (loss) from remeasurement of defined benefit plans	1,923	3,985	(5)	1,516	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	8,189	30,213	(3,705)	12,535	11,981
Change in fair value of instruments used in cashflow hedging	(132)	(644)	63	200	(532)
Total comprehensive income	224,221	218,488	66,071	71,016	261,584
Net earnings attributable to:					
Company shareholders	202,537	170,796	64,396	51,439	227,333
Non-controlling interests	11,704	14,138	5,322	5,326	19,522
	214,241	184,934	69,718	56,765	246,855
Total comprehensive income attributable to:					
Company shareholders	212,307	204,091	60,691	65,464	241,865
Non-controlling interests	11,914	14,397	5,380	5,552	19,719
	224,221	218,488	66,071	71,016	261,584
Net earnings per share attributable to the Company's shareholders (in NIS)					
Basic net income	3.19	2.69	1.01	0.81	3.58
Diluted net income	3.19	2.69	1.01	0.81	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	-	-	-	-	-	-	202,537	202,537	11,704	214,241
Adjustments for translation of financial statements of foreign operations and cashflow hedge	-	-	-	7,847	-	-	-	7,847	210	8,057
Actuarial gain from remeasurement of defined benefit plans	-	-	-	-	-	-	1,923	1,923	-	1,923
Total other comprehensive income	-	-	-	7,847	-	-	1,923	9,770	210	9,980
Total comprehensive income	-	-	-	7,847	-	-	204,460	212,307	11,914	224,221
Dividend declared	-	-	-	-	-	-	(184,214)	(184,214)	-	(184,214)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(9,059)	(9,059)
Transaction with holders of non- controlling interests	-	-	-	-	-	(19,193)	-	(19,193)	(7,106)	(26,299)
Share-based payment	-	-	-	-	-	13,508	-	13,508	-	13,508
Balance as at 30 September 2024	68,255	309,447	(7,982)	(488)	10,186	5,350	686,227	1,070,995	54,634	1,125,629

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	-	-	-	-	-	-	170,796	170,796	14,138	184,934
Adjustments for translation of financial statements of foreign operations and cashflow hedge	-	-	-	29,310	-	-	-	29,310	259	29,569
Actuarial gain from remeasurement of defined benefit plans	-	-	-	-	-	-	3,985	3,985	-	3,985
Total other comprehensive income	-	-	-	29,310	-	-	3,985	33,295	259	33,554
Total comprehensive income	-	-	-	29,310	-	-	174,781	204,091	14,397	218,488
Exercise of employee phantom options	253	3,553	-	-	-	(3,806)	-	-	-	-
Dividend declared	-	-	-	-	-	-	(126,409)	(126,409)	-	(126,409)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(9,565)	(9,565)
Transaction with holders of non- controlling interests	-	-	-	-	-	7,753	-	7,753	1,817	9,570
Share-based payment	-	-	-	-	-	11,618	-	11,618	-	11,618
Balance as at 30 September 2023	68,255	309,447	(7,982)	9,723	10,186	13,684	610,149	1,013,462	55,115	1,068,577

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 July 2024	68,255	309,447	(7,982)	3,212	10,186	1,545	673,924	1,058,587	49,335	1,107,922
Net income	-	-	-	-	-	-	64,396	64,396	5,322	69,718
Adjustments for translation of financial statements of foreign operations and cashflow hedge	-	-	-	(3,700)	-	-	-	(3,700)	58	(3,642)
Actuarial loss from remeasurement of defined benefit plans	-	-	-	-	-	-	(5)	(5)	-	(5)
Total other comprehensive income	-	-	-	(3,700)	-	-	(5)	(3,705)	58	(3,647)
Total comprehensive income	-	-	-	(3,700)	-	-	64,391	60,691	5,380	66,071
Dividend declared	-	-	-	-	-	-	(52,088)	(52,088)	-	(52,088)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(387)	(387)
Transaction with holders of non- controlling interests	-	-	-	-	-	(706)	-	(706)	306	(400)
Share-based payment	-	-	-	-	-	4,511	-	4,511	-	4,511
Balance as at 30 September 2024	68,255	309,447	(7,982)	(488)	10,186	5,350	686,227	1,070,995	54,634	1,125,629

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 July 2023	68,255	309,447	(7,982)	(2,786)	10,186	9,250	601,024	987,394	51,624	1,039,018
Net income	-	-	-	-	-	-	51,439	51,439	5,326	56,765
Adjustments for translation of financial statements of foreign operations and cashflow hedge	-	-	-	12,509	-	-	-	12,509	226	12,735
Actuarial gain from remeasurement of defined benefit plans	-	-	-	-	-	-	1,516	1,516	-	1,516
Total other comprehensive income	-	-	-	12,509	-	-	1,516	14,025	226	14,251
Total comprehensive income	-	-	-	12,509	-	-	52,955	65,464	5,552	71,016
Dividend declared	-	-	-	-	-	-	(43,830)	(43,830)	-	(43,830)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(2,061)	(2,061)
Share-based payment	-	-	-	-	-	4,434	-	4,434	-	4,434
Balance as at 30 September 2023	68,255	309,447	(7,982)	9,723	10,186	13,684	610,149	1,013,462	55,115	1,068,577

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 of 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 nine months ended 30 September 2024 Unaudited	For the nine months ended 30 September 2023 Unaudited	For the three months ended 30 September 2024 Unaudited	For the three months ended 30 September 2023 Unaudited	For the year ended 31 December 2023 Audited
Cash Flows from Current Operations					
Net income	214,241	184,934	69,718	56,765	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	137,822	149,611	47,284	52,152	203,619
Taxes on income	68,299	58,148	22,308	19,507	78,331
Change in liabilities for employee benefits	728	4,960	(676)	1,603	4,966
Other financing expenses, net	19,146	25,472	7,947	(7,155)	39,196
Revaluation of long-term bank loans	(297)	(425)	(92)	(273)	(535)
Revaluation of liabilities in respect of business combinations	(2,741)	(347)	-	(854)	(348)
Capital gain from disposal of property, plant, and equipment	(258)	(827)	(10)	(493)	(292)
Share-based payment	13,508	11,618	4,511	4,434	16,106
Appreciation of liabilities for put options for non-controlling interests	9,454	8,305	3,437	2,694	10,175
	245,661	256,515	84,709	71,615	351,218
Changes in assets and liabilities items					
Increase (decrease) in trade receivables	(66,147)	(71,536)	(82,397)	(45,545)	(73,925)
Decrease (increase) in other receivables and prepaid expenses	(14,434)	4,266	29,993	(3,928)	22,029
Decrease (increase) in inventories	51,798	(2,268)	12,929	3,892	(12,424)
Increase (decrease) in trade payables	(94,684)	(53,492)	112,659	54,587	84,766
Increase (decrease) in employees and institutions, liabilities, deferred revenues, and other accounts payable	49,398	(38,566)	2,299	3,322	24,825
	(74,069)	(161,596)	75,483	12,328	45,271
Cash paid and received over the course of the period for					
Interest paid	(42,051)	(34,394)	(15,844)	1,327	(54,917)
Interest received	15,320	-	4,351	-	14,505
Taxes paid	(99,937)	(87,637)	(28,215)	(25,118)	(113,262)
Taxes received	25,031	5,466	181	283	6,529
	(101,637)	(116,565)	(39,527)	(23,508)	(147,145)
Net cash from (used in) current operations	284,196	163,288	190,383	117,200	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 nine months ended 30 September 2024 Unaudited	For the nine months ended 30 September 2023 Unaudited	For the three months ended 30 September 2024 Unaudited	For the three months ended 30 September 2023 Unaudited	For the year ended 31 December 2023 Audited
Cash flows from investment activities					
Proceeds from sale of property, plant, and equipment	1,692	3,628	133	1,033	3,398
Acquisition of property, plant, and equipment	(34,029)	(32,602)	(18,218)	(7,527)	(38,866)
Software development costs	-	(1,750)	-	(500)	(2,250)
Acquisition of initially consolidated subsidiaries (a)	-	(38,034)	-	-	(38,034)
Net cash from (used in) investment operations	(32,337)	(68,758)	(18,085)	(6,994)	(75,752)
Cash flows from financing operations					
Short-term credit from banks and other credit providers, net	(19,421)	16,398	(82,655)	39,028	(35,626)
Receipt from the issuing of commercial securities (NAAM)	100,000	-	100,000	-	-
Repayment of long-term loans from banks and credit providers	(134,123)	(171,617)	(44,794)	(50,488)	(223,175)
Dividend distribution	(132,126)	(126,409)	(51,453)	(43,830)	(126,409)
Repayment of liabilities in respect of business combinations	(561)	(12,472)	-	(569)	(15,211)
Repayment of lease liabilities	(96,086)	(101,689)	(31,732)	(35,702)	(137,896)
Dividend distribution to non-controlling interests	(23,597)	(25,295)	(4,759)	(11,367)	(27,242)
Repayment of liabilities for put options to non-controlling interests	(1,124)	(29,352)	-	(18,573)	(29,352)
Acquisition of non-controlling interests	(3,899)	-	(400)	-	-
Repayment of debentures	(67,918)	(33,959)	(33,959)	(33,959)	(33,959)
Net cash used in financing activities	(378,855)	(484,395)	(149,752)	(155,460)	(628,870)
Translation differences for cash and cash-equivalent balances	6,633	18,843	(1,101)	5,372	9,318
Increase (decrease) in cash and cash equivalents	(120,363)	(371,022)	21,445	(39,882)	(199,105)
Balance of cash and cash equivalents at beginning of period	640,208	839,313	498,400	508,173	839,313
Balance of cash and cash equivalents at end of the period	519,845	468,291	519,845	468,291	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 nine months ended 30 September 2024 Unaudited	For the nine months ended 30 September 2023 Unaudited	For the three months ended 30 September 2024 Unaudited	For the three months ended 30 September 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, net	-	(287)	-	-	(287)
Deferred tax	-	(350)	-	-	(350)
Inventories	-	(15,339)	-	-	(15,339)
Goodwill	-	(28,694)	-	-	(20,869)
Intangible assets, net	-	(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	52,088	-	52,088	-	-
Right-of-use asset recognized with corresponding lease liability	252,992	123,946	187,849	23,268	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 September 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 September 2024 and for the nine months and three months then ended (the “Consolidated Interim Financial Statements”). The condensed consolidated financial statements of the Group as at 30 September 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 30.09.24	As at 30.09.23	As at 31.12.23
Consumer price index (2020 basis)			
In Israel (actual CPI)	115	111.1	111.2
In Israel (known CPI)	115.2	111.2	111.3
NIS exchange rate			
USD	3.71	3,824	3.63
EUR	4.97	4.053	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 nine months ended 30.09.24	For the nine months ended 30.09.23	For the three months ended 30.09.24	For the three months ended 30.09.23	For the year ended 31.12.23
Consumer price index (2020 basis)					
In Israel (actual CPI)	3.43%	2.86%	(0.2%)	0.67%	2.96%
In Israel (known CPI)	3.52%	3.25%	1.59%	0.77%	3.34%
NIS exchange rate					
USD	2.29%	8.67%	(1.3%)	3.35%	3.07%
EUR	3.51%	8.00%	3.29%	0.86%	6.89%

C. Exposure drafts of new IFRS provisions during the period preceding their implementation

International Financial Reporting Standard 18, Presentation and Disclosure in Financial Statements (hereinafter: "IFRS 18" or the "New Standard"), published in April 2024, is intended to improve comparability and transparency in reporting on company performance.

The new standard replaces International Accounting Standard 1, Presentation of Financial Statements, and does not address the recognition and measurement of items in the financial statements.

Below is an overview of the main changes that will apply to the financial statements with the implementation of the new standard, in relation to the current presentation and disclosure requirements.

- The new standard will change the structure of the statement of profit or loss and will include three new defined categories: operating, investing, and financing. It will also add two new subtotals: operating profit and profit before financing and income tax.
- The new standard includes guidelines for disclosing Management-defined Performance Measures (MPMs).
- The new standard provides guidance on the aggregation and disaggregation of information in the financial statements, on whether information should be included in the primary statements or in the notes, and on disclosures regarding items classified as "other."
- The new standard provides guidance on the aggregation and disaggregation of information in the financial statements, on whether information should be included in the primary statements or in the notes, and on disclosures regarding items classified as "other."
- The new standard includes amendments to other standards, including limited amendments to International Accounting Standard 7, Statement of Cash Flows.

Notes to the Interim Consolidated Financial Statements

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONT.)**C. Exposure drafts of new IFRS provisions during the period preceding their implementation (cont.)**

IFRS 18 will be applied retroactively as of the annual reporting periods that commence on 1 January 2027 or thereafter while providing the specific disclosure set forth in the transitional provisions for the new standard. In accordance with the provisions of IFRS 18, early adoption is possible with appropriate disclosure. However, according to Corporate Decision No. 2024-1 on the deferral of early adoption of International Financial Reporting Standard 18, published by the Israel Securities Authority staff on August 4, 2024, early adoption will be deferred and permitted only from January 1, 2025.

The Company is assessing the potential impact of IFRS 18 on the financial statements; however, at this stage, it is unable to estimate such an impact. The impact of the new standard, if any, will affect only presentation and disclosure matters.

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 (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.

Notes to the Interim Consolidated Financial Statements

NOTE 3 SEGMENTS (CONT.)**A. General (Cont.)****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 nine months ended 30 September 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 infrastructure and computing	Information technology solutions and services in the United States	Adjustments	Total
Sales to external customers	2,317,986	129,203	319,979	1,093,340	344,747	-	4,205,255
Inter-segmental sales	71,022	5,000	17,967	36,671	3,842	(134,502)	-
Sales	<u>2,389,008</u>	<u>134,203</u>	<u>337,946</u>	<u>1,130,011</u>	<u>348,589</u>	<u>(134,502)</u>	<u>4,205,255</u>
Segmental operating results	<u>178,542</u>	<u>6,132</u>	<u>25,352</u>	<u>78,425</u>	<u>50,399</u>	<u>(8,736)</u>	<u>330,114</u>
Financing expenses							(62,894)
Financing income							15,320
Taxes on income							(68,299)
Net income							<u>214,241</u>

Notes to the Interim Consolidated Financial Statements

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

For the nine months ended 30 September 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 infrastructure and computing	Information technology solutions and services in the United States	Adjustments	Total
Sales to external customers	2,136,225	139,372	203,766	1,076,027	356,025	-	3,911,415
Inter-segmental sales	63,240	3,996	20,697	42,251	1,198	(131,382)	-
Sales	<u>2,199,465</u>	<u>143,368</u>	<u>224,463</u>	<u>1,118,278</u>	<u>357,223</u>	<u>(131,382)</u>	<u>3,911,415</u>
Segmental operating results	<u>147,284</u>	<u>14,143</u>	<u>21,032</u>	<u>64,585</u>	<u>52,968</u>	<u>(7,605)</u>	<u>292,407</u>
Financing expenses							(62,189)
Financing income							12,864
Taxes on income							(58,148)
Net income							<u>184,934</u>

Notes to the Interim Consolidated Financial Statements

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

For the three months ended 30 September 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 infrastructure and computing	Information technology solutions and services in the United States	Adjustments	Total
Sales to external customers	794,632	42,691	113,499	358,265	109,723	-	1,418,810
Inter-segmental sales	25,822	1,407	5,111	9,686	1,381	(43,407)	-
Sales	820,454	44,098	118,610	367,951	111,104	(43,407)	1,418,810
Segmental operating results	54,873	1,317	9,067	27,969	16,511	(1,556)	108,181
Financing expenses							(20,506)
Financing income							4,351
Taxes on income							(22,308)
Net income							69,718

Notes to the Interim Consolidated Financial Statements

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

For the three months ended 30 September 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 infrastructure and computing	Information technology solutions and services in the United States	Adjustments	Total
Sales to external customers	714,218	42,888	73,875	377,298	125,241	-	1,333,520
Inter-segmental sales	21,282	1,150	5,902	9,729	1,038	(39,101)	-
Sales	<u>735,500</u>	<u>44,038</u>	<u>79,777</u>	<u>387,027</u>	<u>126,279</u>	<u>(39,101)</u>	<u>1,333,520</u>
Segmental operating results	<u>43,868</u>	<u>2,017</u>	<u>8,121</u>	<u>21,322</u>	<u>19,972</u>	<u>(2,021)</u>	<u>93,279</u>
Financing expenses							(19,701)
Financing income							2,694
Taxes on income							(19,507)
Net income							<u>56,765</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 infrastructure and computing	Information technology solutions and services in the United States	Adjustments	Total
Sales to external customers	2,855,747	172,829	294,236	1,430,913	478,380	-	5,232,105
Intersegmental operating turnover/sales	90,447	5,008	35,491	83,106	8,809	(222,861)	-
Operating turnover/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**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).

Following the declaration of the dividend on 15 August 2024, on 1 October 2024, the Company distributed a dividend in the amount of NIS 52.08 million to its shareholders (representing NIS 0.82 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")- Expansion and Extension of Series and Improvement of Terms

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.) 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.

Notes to the Interim Consolidated Financial Statements

NOTE 5 SIGNIFICANT POST FINANCIAL STATEMENT EVENTS**Acquisition of US Operations**

On November 13, 2024, the Company, through its subsidiary Matrix Holding US LLC, completed the acquisition of 51% of the rights in a U.S. operation engaged in providing Advisory services and expert supply in the field of Governance, Regulation & Compliance within the American financial market, for a total sum of USD 2 million. As part of the transaction, the Company committed to paying the sellers an additional contingent consideration based on the Company's performance over the next three years. In addition, the Company holds a Call option to purchase the remaining rights of the sellers in the operation.