



MATRIX I.T. LTD

Interim Financial Statements

As of June 30, 2023

(Unaudited)

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CHAPTER A

Report of the Board of Directors for the period ended June 30, 2023



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1. Explanations of the Board of Directors for the business situation of the corporation

1.1. Main data from the description of the corporation's business

1.1.1. Description of activity segments

Matrix IT Ltd., together with its subsidiaries, is a company operating in the of Information Technology Solutions and Services, Consulting and Management.

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

The Company has five (5) segments of activity - (1) Information technology solutions and services, consulting and management in Israel (hereafter also "**I.T. Solutions, Consulting and Management in Israel**") ; (2) Information technology solutions and services in the United States (hereafter also "**I.T. Solutions in USA**"); (3) Sales, marketing and support of software products (hereafter also "**Software Products**") ; (4) **Cloud infrastructure and computing**; and (5) **Training and implementation** - providing 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. Within each of the segments there are dedicated departments that specialize in providing specific solutions to the specific customer segment in which they operate, as well as managing and executing projects for the Company's broad bodies.

The specialization in the various segments is reflected in the applied, professional and marketing aspects of that segment. Accordingly, in each segment, a professional and marketing infrastructure has been developed which is required to support that segment.

1.1.2. The business environment

The business environment in which the company operates is directly affected by global and local trends and events, the most important ones being:

An increase in inflation and interest rates - the possibility of an economic slowdown

In continuation of paragraph 1.1.2, that was included in the Periodic report for 2022- after the global trend of increasing price levels in Israel and around the world intensified during 2022 there was a certain moderation in inflationary pressures in the world in the first half of 2023, among other things due to the continued interest rate increases by the central banks. Accordingly, there was a decrease in inflation to a level of about 3.1% in the US and about 4.2% in Israel (in annual terms based on the last 12 months), as of the date of the report. As mentioned above, the increase in interest rates by the central banks continued, so that as of the date of the report, the interest rate in the USA is about 5.5% , and in Israel it is about 4.75%. Continued increase in interest rates In Israel and around the world, by its very nature, may lead to a slowdown in economic activity in the countries in which the Company operates and its customers operate.

Despite the above, the company's activity in the first half of 2023 was characterized by the continued increase in its operation volumes, revenues and profit. At the same time, the increase in interest rates in the economy led to an increase in the company's financing expenses, which had a negative effect on the net profit.

In the company's estimation, the effect of inflation on the results of its operations is not expected to be material, among other things, since the company's financial debt is not linked to the index. On the other hand, the trend of rising interest rates may negatively affect the results of the company's operations by increasing financing costs for variable interest loans (commercial securities -"Naam"- and short-term bank loans), as well as for new fixed interest loans that will replace loans that come due.

It should also be noted in this context that the main component of the Company's expenses is wages (about 55% of the company's operating expenses), which in the Company's estimation is mainly influenced by trends in demand and supply of technological manpower, and inflation is expected to have a limited effect on it.

Possible effect of legislation to promote changes in the legal system

Starting at the beginning of 2023, the Israeli government is promoting a plan to make changes to the legal system in Israel. The proposed changes (the first of which was passed in July of this year in the third reading in the Knesset) arouse sharp disputes in the public and the political system. According to various publications and the positions of various experts, the effect of the changes promoted by the government, the controversy surrounding them and the conduct of the parties in connection with them may have a negative impact on the Israeli economy, and among other things lead to a lowering of Israel's credit rating, to the continued weakening of the local currency, to damage to the scope of investments in the Israeli economy and damage to the scope of economic activity of the economy.

Since the main activity of the company is in Israel, the deterioration of the situation of the Israeli economy, to the extent that it occurs, may have a negative effect on the company's results. At the same time, as a general rule, an increase in the dollar exchange rate relative to the shekel has a positive effect on the company's results.

As of the date of the report, the company is unable to assess the future effects of all of the aforementioned factors, to the extent that they may be, on the Israeli economy, on the IT industry in Israel as a whole, and on the company's activities.

The above in relation to future development in the general environment in Israel in which the company operates and external factors affecting its activities, is forward-looking information, as defined in the Securities Law, and is based on public information and estimates, as of the date of the report, which are uncertain and outside the company's control. The information may not materialize, in whole or in part, or materialize differently, including materially than expected.

High-tech industry

As a Company that provides solutions, products and services in the area of Information systems, the Company competes with other companies in the High-tech industry for quality personnel. In addition, a significant part of the Company's sales (15% in 2022) is due to companies in the high-tech area.

After a record year in the high-tech industry in 2021, 2022 and the beginning of 2023 marked a significant slowdown in the field of high-tech in Israel and around the world. This slowdown was reflected, inter alia, in a sharp decrease in the scope of capital-raising in the sector, the closure of start-up companies, and as a result, reductions in the workforce and layoffs. A large proportion of those who were laid off have been taken back to work in the industry, which still suffers from a shortage of technological manpower. According to the data of the CBS and the Innovation Authority, the number of vacancies in the high-tech field in the first half of 2023 decreased to approximately 12,000 (a decrease of more than 40% compared to the corresponding half in 2022).

In the Company's estimation, the trend of reducing manpower in hi-tech companies may make it easier for the company to recruit and retain employees, as well as to ease the request for salary increases on the part of the employees, which the company has experienced in recent years.

On the other hand, the slowdown in the high-tech industry could lead to a decrease in demand and even damage to some of the Company's customers in this field of activity, and consequently to damage to the results of the company's activities.

According to the Company's assessment, the trend of manpower reduction in high-tech companies may make it easier for the Company to recruit and retain employees, in addition to a significant recession of pressures for salary increases on the part of the employees, which the Company has experienced in recent years. On the other hand, the slowdown in the high-tech industry may lead to a decrease in demand and even adversely impact some of the Company's customers in this field of activity, and consequently, to impair the results of the Company's activity.

The Company is unable to assess the full future effects, whatever they may be, of the factors set forth above, on the economic situation in Israel and the US, in general, and on the Company's activities, in particular. The Company estimates that its financial strength, together with its cash balance and the high current cash flow that it generates, will allow it to continue to finance its current activity, to continue investing in future growth, including through mergers and acquisitions, while meeting all its obligations.

For more details, see section 19 of the chapter describing the corporation's business within the company's periodic report for 2022.

What is stated in this section above includes forecasts, estimates, assessments and other information relating to future events, the degree to which they will materialize is uncertain and is not under the control of the Company alone (forward-looking information). The main facts and data that served as a basis for this information relate to the current state of the Company and its businesses, in its areas of activity, to macroeconomic facts and data, all as known to the Company at the time this Report was prepared. The materialization of the forward-looking information is uncertain and will be affected by the risk factors that characterize the Company's activity, as well as the developments in the economic environment and the external factors that affect the Company's activity, which cannot be assessed in advance and are not under the Company's control.

1.1.3. Significant events during the reporting period

Acquisition of a subsidiary, Zebra

On January 1, 2023, the Company acquired 70% of the share capital of Zebra A.G.R Ltd. ("Zebra"), for NIS 53 million (including payment for equity). Zebra is engaged in the distribution and marketing of solutions and software products in the fields of information security, cyber protection and data communication. Zebra is consolidated in the Company's financial statements starting in the first half of 2023, in the Sales, marketing and support of Software products segment.

Share based payments for officers and senior managers

Further to the renewal of the contract with the CEO of the company, Mr. Moti Gutman, in a new employment agreement for a period of 5 years, starting on January 1, 2023 and ending on December 31, 2027, the Company allocated on February 1, 2023 to the CEO, cashless, 375,000 restricted shares (RSU). For more details, see note 16d to the annual financial reports for 2022.

In addition, following the approval of the Company's Board of directors and the Compensation committee as of March 12, 2023, the Company allocated on March 29, 2023, 920,000 exercisable options for up to 920,000 shares of the company, to 18 officers and senior managers of the Company and subsidiaries. For more details see immediate reports dated 3/13/2023 reference 2023-01-026148 and dated 3/27/2023 reference 2023-01-032538 and note 4c to the financial reports.

1.1.4. Condensed statements of consolidated income for the period three months and six months ended June 30, 2023 and 2022 (NIS in thousands)

	3 months ended 30.06.23	3 months ended (*) 30.06.22	Change in %	6 months ended 30.06.23	6 months ended (*) 30.06.22	Change in %
Sales turnover	1,286,742	(*)1,165,672	10.4%	2,577,895	(*)2,323,657	10.9%
Cost of sales and services	1,101,700	1,006,081	9.5%	2,204,235	1,996,270	10.4%
Gross profit	185,042	159,591	15.9%	373,660	327,387	14.1%
% of Sales	14.4%	13.7%		14.5%	14.1%	
Selling and marketing expenses	45,261	39,465	14.7%	90,437	79,305	14%
General and administrative expenses	42,118	35,928	17.2%	84,095	71,786	17.1%
Operating profit before gain from realization of investment	97,663	84,198	16%	199,128	176,296	13%
% of sales	7.6%	7.2%		7.7%	7.4%	
Gain from realization of investment	-	150,059		-	150,059	
Operating profit after realization of investment	97,663	234,257	(58.3%)	199,128	326,355	(39%)
Financing expenses, net	15,428	4,076	278.5%	32,318	11,052	192.4%
Profit before deduction of taxes on income	82,235	230,181	(64.3%)	166,810	315,303	(47.1%)
Taxes on income	19,413	47,367	(59%)	38,641	64,504	(40.1%)
Net income	62,822	182,814	(65.6%)	128,169	250,799	(48.9%)
% of Sales	4.9%	15.3%		4.9%	10.6%	
Net earnings attributable to:						
Shareholders of the Company	58,617	178,884	(67.2%)	119,357	238,028	(49.9%)
Non-controlling interests	4,205	3,930	7%	8,812	12,771	(31%)
Net income	62,823	182,814	(65.6%)	128,169	250,799	(48.9%)
% of Sales	4.9%	15.7%		4.9%	10.8%	
EBITDA¹	147,824	120,271	22.9%	296,587	247,805	19.7%
% of Sales	11.5%	10.1%		11.5%	10.5%	

* Reclassified

¹ Profit before financing, taxes, depreciation and amortization and before capital gain from the realization of an investment

1.1.5 Main results of the Company's activity neutralizing the effect of Capital gain from realization of investment in a Subsidiary, last year (NIS in thousands)

	3 months ended 30.06.23	3 months ended (*) 30.06.22	Change in %	6 months ended 30.06.23	6 months ended (*) 30.06.22	Change in %
Sales turnover	1,286,742	(*)1,165,672	10.4%	2,577,895	(*)2,323,657	10.9%
Operating profit	97,663	84,198	16%	199,128	176,296	13%
Net profit	62,822	61,255	2.6%	128,169	129,240	(0.8%)
Net profit attributable to Shareholders	58,617	57,325	2.2%	119,357	116,469	2.5%

* Reclassified

1.2. Analysis of results of activity

1.2.1. Seasonality

The second quarter (similar to the corresponding quarter last year) was affected by the Passover holiday and other holidays ("seasonality" - see also section 9 on the Report on the Corporation's Business in the Periodic report). Therefore, in the second quarter of this year (as in the corresponding quarter last year) the number of working days is lower compared to the first quarter of 2023. In addition, the amount of working hours in the second quarter and in the cumulative period was lower by 3.2% and 1.5% compared to the corresponding periods last year.

1.2.2. Analysis of results of consolidated income

- 1) **Sales** of the Company in the quarter amounted to NIS 1,286.7 million compared to NIS 1,165.7 million in the corresponding quarter last year, an increase of 10.4%. The Company's sales in the period amounted to approximately NIS 2,577.9 million compared to approximately NIS 2,323.7 million in the corresponding period last year, an increase of approximately 10.9%. The increase in the company's sales in the second quarter and in the cumulative period, in relation to the corresponding periods last year is due to an increase in activity in all sectors, with the exception of an immaterial decrease in the training and implementation sector. The increase in the volume of sales was positively affected by the consolidation for the first time of the results of the activities of companies acquired by the company - RDT (whose results were consolidated for the first time in the third quarter of 2022) and Zebra (consolidated for the first time in the first quarter of 2023). On the other hand, the volume of sales in the cumulative period was also affected by the sale and termination of the consolidation of the Subsidiary Infinity (at the end of the first quarter 2022). Neutralizing the aforementioned effects, in the first half the Company recorded an organic growth in revenues of approximately 9.2% and 6.8% in the second quarter, accordingly.

- 2) **Gross profit** in the quarter amounted to approximately NIS 185.1 million, which accounted for approximately 14.4% of sales, compared to about NIS 159.6 million in the corresponding quarter last year (approximately 13.7% of sales), which represented an increase of about 15.9%. The gross profit in the period amounted to approximately NIS 373.6 million (approximately 14.5% of sales), compared to about NIS 327.4 million in the corresponding period last year (about 14.1% of sales), an increase of about 14.1%. The increase in gross profit in the second quarter and in the cumulative period, compared to the corresponding periods last year, is mainly due to the increase in sales. The increase in the rate of gross profitability compared to the corresponding period last year is due, among other things, to the increase in the volume of revenues from the Information Technology Solutions and Services sector in the US, where the rate of profitability is high relative to the other sectors of activity, and from the positive effect of the increase in the exchange rate of the dollar.
- 3) **Sales, marketing, management and general expenses** in the quarter amounted to approximately NIS 87.4 million, which accounted for approximately 6.8% of sales, compared to approximately NIS 75.4 million in the corresponding quarter last year, which accounted for approximately 6.5% of sales. The main increase in sales, marketing, management and general expenses is attributed to expenses for capital compensation to officers and managers in the amount of approximately NIS 4.4 and 7.2 million in the quarter and period, respectively (compared to approximately NIS 0.4 and 0.7 million in the corresponding periods), as well as intangible asset amortization expenses (Customers basis and backlog of orders, which were recognized in M&A transactions) amounting to approximately 8 and 14 million NIS in the quarter and period, respectively (compared to approximately 4.9 and 9.7 million NIS in the corresponding period last year).
- 4) **Operating profit**
The operating profit before Profit from realization of Subsidiary (profit from normal operations) in the quarter amounted to approximately 97.6 million NIS (approximately 7.6% of sales), compared to approximately 84.2 million NIS in the corresponding quarter last year (approximately 7.2% of sales), an increase of approximately 16%. The profit from regular operations in the period amounted to about 199.1 million NIS (about 7.7% of sales), compared to about 176.3 million NIS in the corresponding period last year (about 7.6% of sales), an increase of about 13%. The increase in the amount of the operating profit in the quarter and period, in the second quarter and in the cumulative period compared to the corresponding periods last year is due to an increase in all sectors, except for the Training and implementation sector. The increase in the rate of operating profitability is mainly due to the factors listed above with reference to the gross profit.
As detailed in the Sales section above, the increase in the Company's operating profit was positively affected by the consolidation for the first time of the results of the activities of companies acquired by the Company. On the other hand, the operating profit in the accumulated period was also affected by the sale of the Subsidiary Infinity (at the end of the first quarter 2022).
Neutralizing the effect of the merger for the first time of RDT and Zebra and the sale of Infinity, as mentioned, the Company recorded organic growth in operating profit at a rate of approximately 12.8% and approximately 11.8% in the second quarter and the cumulative period, respectively.

5) Capital gain from the realization of an investment

In the second quarter of 2022, the company recognized a Capital gain from the sale of most of its holdings in Infinity in the amount of about NIS 150.1 million before tax and a total of about NIS 121.6 million after income taxes. For more details, see note 3(e) to the annual Financial statements.

6) Financial expenses / income (net)

Financial expenses (net) for the half totaled approximately NIS 15.4 million compared to financial expenses (net) totaling approximately NIS 4.1 million in the corresponding quarter last year.

Financing expenses (net) in the period amounted to approximately NIS 32.3 million compared to financing expenses (net) totaling about NIS 11 million in the corresponding period last year.

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

	3 months ended 30.06.23	3 months ended 30.06.22	6 months ended 30.06.23	6 months ended 30.06.22
Interest, commission and other (net)	9,717	5,160	21,692	11,069
Exchange rate differences – expenses (income)	(3,003)	(5,491)	(4,725)	(5,910)
Remeasurement of liabilities expenses in respect of option to minority and in respect of leases	8,714	4,407	15,351	5,893
Total financing expenses (net)	15,428	4,076	32,318	11,052

As detailed above, the main change in net financing expenses, in the second quarter and half year period compared to the corresponding second quarter and half last year, derives from an increase in interest expenses on the Company's financial liabilities(net of financial income on investments and deposits), due to the increase in interest rates in the economy, in addition to the increase of accounting financial expenses derived from the revaluation of lease liabilities and revaluation of Put options to Non-controlling Interests(which are not cash flow movements).

7) Taxes on income

The tax expenses for the quarter amounted to about 19.4 million NIS (about 23.6% of the profit before tax), compared to about 47.4 million NIS in the corresponding quarter last year (about 20.6% of the profit before tax).

The tax expenses in the period amounted to about 38.6 million shekels (about 23.1% of the profit before tax), compared to about 64.5 million NIS in the corresponding period last year (about 20.5% of the profit before tax).

The decrease in tax expenses (with an increase in the tax rate compared to the corresponding periods) is mainly due to the effect of the Infinity Sale transaction in the second quarter of 2022, which was accompanied by a one-time increase in taxable profit alongside recognition for the first time of deferred taxes resulting from the expectation of their realization.

8) Net profit

The net profit attributable to the shareholders in the quarter amounted to about 62.8 million NIS (about 4.9% of sales), compared to about 182.8 million in the corresponding quarter last year. Excluding the net capital gain from the sale of Infinity, the net profit attributable to shareholders last year was approximately NIS 61.2 million (approximately 5.2% of sales) - reflecting an increase of approximately 2.6% in the net profit attributable to shareholders compared to the corresponding quarter last year.

The net profit in the period amounted to approximately NIS 128.2 million NIS (approximately 4.9% of sales), compared to approximately NIS 250.8 million NIS in the corresponding period last year. Excluding the net capital gain from the sale of Infinity, the net profit for the period last year was approximately NIS 129.2 million NIS (approximately 5.6% of sales) - reflecting an decrease of approximately 0.8% compared to the corresponding period last year.

9) Net profit attributable to Shareholders` of the Company

The net profit attributable to the shareholders in the quarter amounted to about 58.6 million NIS (about 4.5% of sales), compared to about 178.9 million in the corresponding quarter last year. Excluding the net capital gain from the Sale of Infinity, the Net profit attributable to shareholders last year was approximately NIS 57.3 million (approximately 4.9% of sales) - reflecting an increase of approximately 2.3% in the net profit attributable to shareholders compared to the corresponding quarter last year.

The net profit attributable to the shareholders in the period amounted to approximately NIS 119.4 million (approximately 4.6% of sales), compared to approximately NIS 238 million in the corresponding period last year. Excluding the Capital gain from the Sale of Infinity, the Net profit attributable to the shareholders for the period last year was approximately NIS 116.5 million (approximately 5% of sales) - reflecting an increase of approximately 2.5% compared to the corresponding period last year.

10) Total comprehensive income (NIS in thousands)

	3 months ended 30.06.23	3 months ended 30.06.22	6 months ended 30.06.23	6 months ended 30.06.22
Net profit	62,822	182,814	128,169	250,799
Other comprehensive income (after the effect of tax):				
Gain (loss) from remeasurement in respect of defined benefit plans	1,219	1,842	2,469	5,242
Change in fair value of instruments used for cash flow hedging	(216)	-	(844)	-
Adjustments arising from the translation of financial statements	8,651	29,418	17,678	34,207
Total comprehensive income	72,476	214,074	147,472	290,248

11) EBITDA (NIS in thousands) Profit before interest, taxes, depreciation and amortization

The EBITDA figure is included in the report because it is an accepted index for measuring the results of operations in similar companies, and because it is an approximation of operating profit cash flow, which neutralizes from the operating profit expenses that do not involve cash flows, such as depreciation and amortization expenses, including those for intangible assets acquired as part of business combinations. It should be stated, that in the EBITDA figures for the quarter and for the period last year, the Company neutralized the Capital gain from the realization of Infinity.

The following sets forth the EBITDA index and adjusted EBITDA index, canceling the effect of IFRS 16:

	3 months ended 30.06.23	3 months ended 30.06.22	Change in %	6 months ended 30.06.23	6 months ended 30.06.22	Change in %
Operating profit	97,663	84,198	16%	199,128	176,296	13%
Depreciation and amortization	50,161	36,073	39.1%	97,459	71,509	36.3%
EBITDA	147,824	120,271	22.9%	296,587	247,805	19.7%
% of total sales	11.4%	10.3%		11.5%	10.7%	
Canceling the effect of IFRS 16 ²	33,058	20,990	57.5%	65,909	43,050	53.1%
EBITDA after canceling the effect of IFRS 16	114,766	99,281	15.6%	230,678	204,755	12.6%
% of total sales	8.9%	8.5%		8.9%	8.8%	

12) Net earnings per share attributable to the Company's shareholders (in NIS)

	3 months ended 30.06.23	3 months ended 30.06.22	6 months ended 30.06.23	6 months ended, 30.06.22
Basic Net earnings per share	0.92	2.91	1.88	3.79
Diluted Net earnings per share	0.92	2.90	1.88	3.77

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

1.2.3. Summary of consolidated profit and loss results by segments of activity for the period of three and six months ended June 30, 2023 and June 30, 2022 (NIS in thousands)

	3 months ended 30.06.23	3 months ended (*) 30.06.22	Change in %	6 months ended 30.06.23	6 months ended (*) 30.06.22	Change in %
Revenues according to activity segment:						
Information technology solutions and services , consulting and management in Israel ⁽¹⁾	727,960	644,264	13%	1,463,965	1,309,789	11.8%
Information technology solutions and services in the United States ⁽²⁾	123,074	91,709	34.2%	230,944	186,601	23.8%
Sales, marketing and support of software products	82,206	59,913	37.2%	144,686	130,971	10.5%
Cloud infrastructures and computing	356,066	342,365	4%	731,250	658,998	11%
Training and implementation	48,216	55,050	(12.4%)	99,331	109,027	(8.9%)
Adjustments between segments	(50,780)	(27,629)		(92,281)	(71,729)	
Total revenues	1,286,742	1,165,672	10.4%	2,577,895	2,323,657	10.9%
Operating profit						
Information technology solutions and services , consulting and management in Israel ⁽¹⁾	49,186	44,991	9.3%	103,416	99,115	4.3%
Information technology solutions and services in the United States ⁽²⁾	18,291	13,573	34.8%	32,996	23,862	38.3%
Sales, marketing and support of software products	7,674	4,415	73.8%	12,911	9,217	40.1%
Cloud infrastructures and computing	20,094	18,279	9.9%	43,263	36,736	17.8%
Training and implementation	5,422	6,980	(22.3%)	12,126	11,572	4.8%
Adjustments between segments	(3,004)	(4,040)		(5,584)	(4,206)	
Operating profit	97,663	84,198	16%	199,128	176,296	13%

	3 months ended	3 months ended	6 months ended	6 months ended
	30.06.23 Percentage	30.06.22 Percentage	30.06.23 Percentage	30.06.22 Percentage
Rate of operating profit:				
Information technology solutions and services , consulting and management in Israel ⁽¹⁾	6.8%	7.0%	7.1%	7.6%
Information technology solutions and services in the United States ⁽²⁾	14.9%	14.8%	14.2%	12.8%
Sales, marketing and support of software products	9.3%	7.4%	8.9%	7%
Cloud infrastructures and computing	5.6%	5.3%	5.9%	5.6%
Training and implementation	11.2%	12.7%	12.2%	10.6%
Rate of operating profit in %	7.6%	7.2%	7.7%	7.4%
Rate of revenue according to segment of activity:				
Information technology solutions and services , consulting and management in Israel ⁽¹⁾	54.4%	54%	54.8%	54.7%
Information technology solutions and services in the United States ⁽²⁾	9.2%	7.7%	8.6%	7.8%
Sales, marketing and support of software products	6.1%	5%	5.4%	5.5%
Cloud infrastructures and computing	26.6%	28.7%	27.4%	27.5%
Training and implementation	3.7%	4.6%	3.8%	4.5%
Total revenues in %	100%	100%	100%	100%

	3 months ended	3 months ended	6 months ended	6 months ended
	30.06.23 Percentage	30.06.22 Percentage	30.06.23 Percentage	30.06.22 Percentage
Rate of contribution to operating profit according to segments of activity ⁽³⁾:				
Information technology solutions and services , consulting and management in Israel ⁽¹⁾	48.9%	51%	50.5%	54.9%
Information technology solutions and services in the United States ⁽²⁾	18.1%	15.4%	16.2%	13.2%
Sales, marketing and support of software products	7.6%	5.0%	6.3%	5.1%
Cloud infrastructures and computing	20%	20.7%	21.1%	20.4%
Training and implementation	5.4%	7.9%	5.9%	6.4%
Total operating profit in %	100%	100%	100%	100%

(1) Including immaterial activity in Europe

(2) Including activity in Canada

(3) Not including capital gain from realization of Infinity.

	3 months ended 30.06.23	3 months ended (*) 30.06.22	Change in %	6 months ended 30.06.23	6 months ended (*) 30.06.22	Change in %
Geographic information:						
Revenues:						
Revenues from customers in Israel	1,193,238	1,083,518	10.1%	2,398,539	2,177,508	10.2%
Revenues from customers in the United States	123,074	91,709	34.2%	230,944	186,601	23.8%
Revenues from customers in Europe	21,210	18,074	17.4%	40,693	31,277	30.1%
Adjustments between segments	(50,780)	(27,629)		(92,281)	(71,729)	
Total revenues	1,286,742	1,165,672	10.4%	2,577,895	2,323,657	10.9%
Operating profit						
Operating profit from customers in Israel	80,275	72,465	10.8%	167,880	153,324	9.5%
Operating profit from customers in the United States	18,291	13,573	34.8%	32,996	23,862	38.3%
Operating profit from customers in Europe	2,101	2,200	(4.5%)	3,836	3,316	15.7%
Adjustments between segments	(3,004)	(4,040)		(5,584)	(4,206)	
Total operating profit	97,663	84,198	16%	199,128	176,296	13%

	3 months ended	3 months ended	6 months ended	6 months ended
	30.06.23 Percentage	30.06.22 Percentage	30.06.23 Percentage	30.06.22 Percentage
Rate of revenues on a geographical basis:				
Revenues from customers in Israel	89.2%	90.8%	89.8%	90.9%
Revenues from customers in the United States	9.2%	7.7%	8.7%	7.8%
Revenues from customers in Europe	1.6%	1.5%	1.5%	1.3%
Total revenues in %	100%	100%	100%	100%
Rate of operating profit on a geographical basis ⁽³⁾:				
Rate of operating profit in Israel	6.7%	6.7%	7%	7%
Rate of operating profit in the United States	14.9%	14.8%	14.3%	12.8%
Rate of operating profit in Europe	9.9%	12.2%	9.4%	10.6%
Rate of operating profit in %	7.6%	7.2%	7.7%	7.6%

(1) Including immaterial activity in Europe

(2) Including activity in Canada

(3) Not including capital gain from realization of Infinity.

1.2.4. Analysis of results of activity by segments of activity

Information technology solutions and services, consulting and management in Israel

Revenues

Total revenues from Information technology solutions and services, consulting and management in Israel amounted during this quarter to NIS 727.9 million, compared to about 644.3 million NIS in the corresponding quarter last year, an increase of approximately 13%. Total revenues during the period amounted to approximately 1463.9 million NIS, compared to about 1,309 million NIS in the corresponding period last year, an increase of approximately 11.8%.

Operating profit

The operating profit from Information technology solutions and services, consulting and management in Israel amounted this quarter to about NIS 49.1 million (6.8% of the segment's revenues), compared with NIS 44.9 million (7% of the segment's revenues) in the corresponding quarter last year, an increase of approximately 9.3%. The operating profit from Information technology solutions and services, consulting and management in Israel amounted this period to about NIS 103.4 million (7.1% of the segment's revenues), compared with NIS 99.1 million (7.6% of the segment's revenues) in the corresponding period last year, an increase of approximately 4.3%.

The increase in revenues and operating profit in the second quarter and the compounding period, results from organic growth increase in the scope of activity in all segments of activity, The aforementioned increase was partly offset (in the cumulative period only) by the discontinuation of the consolidation of Infinity results starting in the second quarter of 2022.

Canceling the effect of the termination of the Infinity consolidation as aforesaid, in the first half, the Company recorded "organic growth" in this segment in revenues and operating profit at a rate of 15.3% and 11.5%, respectively.

Information technology solutions and services in the United States

Revenues

Revenues from the Information technology solutions and services segment in the United States for the quarter amounted to 123.1 million NIS, compared with 91.7 million NIS in the corresponding quarter last year, an increase of 34.2%. Revenues from the Information technology solutions and services segment in the United States for the period amounted to 230.9 million NIS, compared with 186.6 million NIS in the corresponding period last year, an increase of 23.8%.

Operating profit

Operating profit from the Information technology solutions and services segment in the United States during the quarter amounted to 18.3 million NIS (14.9% of the segment's revenues), compared with 13.5 million NIS (14.8% of the segment's revenues) in the corresponding quarter last year, an increase of approximately 34.8%.

Operating profit from the Information technology solutions and services segment in the United States during the period amounted to 32.9 million NIS (14.3% of the segment's revenues), compared with 23.8 million NIS (12.8% of the segment's revenues) in the corresponding quarter last year, an increase of 38.3%.

The growth in revenues and significant growth in the rate of profitability in the segment, is mainly due to an increase in the scope of activity with an emphasis on the field of GRC solutions for the financial sector, which is accompanied by an increase in the utilization rate of the employees, as well as the effect of the increase in the dollar exchange rate in relation to the NIS.

Information technology solutions and services in the United States (US\$ in millions)

	3 months ended, 30.06.23	3 months ended, 30.06.22	Change in %	6 months ended, 30.06.23	6 months ended, 30.06.22	Change in %
Revenues	34.2	28	22.1%	64.1	57.1	12.3%
Operating profit	5.1	4.1	24.4%	9.1	7.2	26.4%
Rate of profit	14.9%	14.6%		14.2%	12.6%	

Sales, marketing and support of software products

Revenues

Revenues from the sales, marketing and support segment for software products in the quarter amounted to NIS 82.2 million, compared to NIS 60 million in the corresponding half last year, an increase of 37.2%.

Revenues from the sales, marketing and support segment for software products in the half amounted to NIS 144.6 million, compared to NIS 131 million in the corresponding half last year, a decrease of 10.5%.

Operating profit

Operating profit from the software product sales, marketing and support segment in the quarter amounted to NIS 7.6 million (9.3% of the segment's revenues), compared with NIS 4.4 million (7.4% of the segment's revenues) in the corresponding quarter last year, an increase of 73.8%.

Operating profit from the software product sales, marketing and support segment in the half amounted to NIS 12.1 million (8.9% of the segment's revenues), compared with NIS 9.2 million (7% of the segment's revenues) in the corresponding half last year, an increase of 40.1%.

The increase in operating profit and improvement of the rate of income of the segment during the quarter and the period, stems mainly from the consolidation for the first time of Zebra, during the first quarter of 2023. It should be noted in this regard that Zebra is mainly engaged in the distribution and marketing of software products in the fields of cyber protection and data communication, and in accordance with the accounting rules, most of its revenues are presented on a net basis.

Cloud infrastructure and computing

Revenues

Revenues from the Cloud infrastructure and computing segment during the quarter amounted to NIS 356.1 million, compared to NIS 342.3 million in the corresponding quarter last year, an increase of 4%.

Revenues from the segment during the period amounted to NIS 731.2 million, compared to NIS 659 million in the corresponding half last year, an increase of 11%.

Operating profit

The operating profit from the segment in the quarter amounted to NIS 20.1 million (5.6% of the segment's revenues), compared with NIS 18.2 million (5.3% of the segment's revenues) in the corresponding quarter last year, an increase of 9.9%.

The operating profit from the segment in the period amounted to NIS 43.2 million (5.9% of the segment's revenues), compared with NIS 36.7 million (5.6% of the segment's revenues) in the corresponding period last year, an increase of 17.8%.

The increase in revenues, operating profit and profitability rate of the segment, in the quarter and period, was due to a significant increase in the scope of activity, with an emphasis on the Cloud infrastructure field and initial consolidation of the results of RDT's activities (starting in the third quarter of 2022), and also from the strengthening of the dollar rate in relation to the NIS.

Training and implementation

Revenues

Revenues from the Training and implementation segment during the quarter amounted to NIS 48.2 million, compared with NIS 55 million in the corresponding quarter last year, a decrease of 12.4%.

Revenues from segment during the period amounted to NIS 99.3 million, compared with NIS 109 million in the corresponding period last year, a decrease of 8.9%.

Operating profit

Operating profit from the Training and implementation segment in the quarter amounted to NIS 5.4 million (11.2% of the segment's revenues), compared with a profit of NIS 6.9 million (12.7% of the segment's revenues) in the corresponding quarter last year, a decrease of 22.3%.

Operating profit from the segment in the period amounted to NIS 12.1 million (12.2% of the segment's revenues), compared with a profit of NIS 11.6 million (10.6% of the segment's revenues) in the corresponding period last year, an increase of 4.8%.

The decrease in revenues and operating profit of the sector in the second quarter, reflects a decrease in demand for training activities, compared to the corresponding periods last year, against the background of the cooling of the labor market in the high-tech industry. In this regard, it should be noted that the training and implementation sector constitutes less than 4% of the scope of the company's activity. For details regarding potential positive effects on society as a whole, of the trend of reducing manpower in hi-tech companies, among other things on the ability to recruit and retain employees and a slowdown in wage increase pressures, see section 1.1.2 of the report.

1.2.5. Commitments and special events

Distribution of dividend

Date of distribution	Dividend rate per share (in agorot)	Amount of dividend (NIS millions)
16.04.23	59	37.50
05.06.23	71	45.10
Total in First half of 2023	130	82.60

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 half subject to the distribution tests in the law, which are examined by the Board of Directors at any relevant time.

Rating

On March 28, 2023, Midroog confirmed an Aa3 issuer rating with a stable outlook for the Company.

1.3. Financial position, liquidity and sources of financing (NIS in thousands)

Analysis of financial position as of June 30, 2023

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

	As of 30.06.2023	As of 31.12.2022	Change
Cash and cash equivalents	508,173	839,313	(331,140)
Short-term credit	(527,394)	(521,287)	(6,107)
Long-term credit	(578,003)	(699,873)	121,870
"Net" debt – short-term and long-term credit, net of cash and cash equivalents	(597,224)	(381,847)	(215,377)
Total balance sheet	3,930,946	4,002,776	(71,830)
Rate of "net" debt to balance sheet	15.2%	9.5%	
Current ratio (including liabilities in respect of lease)	1.17	1.21	
Balance of retained earnings	601,024	561,777	39,247
Total equity	1,039,018	964,875	74,143
Rate of equity to balance sheet	26.4%	24.1%	

Condensed consolidated statements of financial position (NIS in thousands)

	As of 30.06.2023	As of 31.12.2022	Change
Cash and cash equivalents	508,173	839,313	(331,140)
Trade receivable and unbilled receivables, net	1,631,933	1,481,761	150,172
Inventories	139,825	118,326	21,499
All other current assets	148,675	140,091	8,584
Total current assets	2,428,606	2,579,491	(150,885)
Goodwill	936,607	898,516	38,091
Intangible assets	97,684	99,256	(1,572)
All other non-current assets	468,049	425,513	42,536
Total non-current assets	1,502,340	1,423,285	79,055
Total assets	3,930,946	4,002,776	(71,830)
Short-term bank credit and other service providers	527,394	521,287	6,107
Trade payables	593,741	620,609	(26,868)
Employees	393,799	407,309	(13,510)
Deferred income	287,491	286,172	1,319
All other current liabilities	270,355	290,425	(20,070)
Total current liabilities	2,072,780	2,125,802	(53,022)
Liabilities to banking corporations and other service providers	578,003	699,873	(121,870)
Deferred income	21,644	30,860	(9,216)
All other non-current liabilities	219,501	181,366	38,135
Total non-current liabilities	819,148	912,099	(92,951)
Capital attributable to Shareholders of the Company	987,394	916,409	70,985
Non-controlling interests	51,624	48,466	3,158
Total equity	1,039,018	964,875	74,143
Total	3,930,946	4,002,776	(71,830)

The decrease in total current assets is mainly due to a decrease in cash balances, which was partially offset by an increase in customers and receivables, mainly as a result of the first consolidation of Zebra.

The decrease in current liabilities is mainly due to a decrease in the suppliers item (net decrease, despite an increase in suppliers due to the consolidation of Zebra for the first time).

The decrease in long-term liabilities is mainly due to a decrease in long-term liabilities to banks and others, as a result of amounts transferred to current liabilities.

Condensed Statements of cash flow (NIS in thousands)

	For the period of three months ended 30.06.2023	For the period of three months ended 30.06.2022	For the period of six months ended 30.06.2023	For the period of six months ended 30.06.2022
Net cash provided by operating activities:				
Net income	62,822	182,814	128,169	250,799
Adjustments to the profit and loss items	95,767	(61,453)	184,900	(6,210)
Changes in asset and liability items	(15,960)	(96,837)	(173,924)	(180,165)
Cash paid and received for interest and taxes	(47,077)	(27,393)	(93,057)	(43,123)
Net cash provided by (used in) operating activities	95,552	(2,869)	46,088	21,301
Net cash provided by investing activities:				
Purchase of property, plant and equipment	(11,794)	(10,251)	(25,075)	(21,395)
Realization of Subsidiary, which left consolidation, net of tax	-	115,341	-	115,341
Acquisition of companies and activities first time consolidated	-	(41,005)	(38,034)	(41,005)
Others (net)	956	318	1,345	25
Net cash provided by (used in) investing activities	(10,838)	64,403	(61,764)	52,966
Net cash used in financing activities:				
Receipt (repayment) of credit, net	(84,336)	(103,933)	(143,759)	82,969
Dividends paid	(82,579)	(85,529)	(82,579)	(85,529)
Repayment of liabilities in respect of business combinations	(9,004)	(1,517)	(11,903)	(1,517)
Repayment of capital lease obligation	(33,201)	(22,824)	(65,987)	(44,762)
Dividend paid to non-controlling interests	(10,934)	(21,193)	(13,928)	(21,193)
Repayment of liabilities in respect of Put options	(10,779)	(3,359)	(10,779)	(3,359)
Net cash used in financing activities	(230,833)	(238,355)	(328,935)	(73,391)

Cash flows provided by operating activities

In the second quarter, the company recorded a positive cash flow from current operations in the amount of approximately 95.5 million NIS, compared to a negative flow from current operations in the amount of approximately 2.9 million NIS in the corresponding quarter last year.

During the accumulated period, the company recorded a positive cash flow from current operations amounting to approximately 46.1 million NIS, compared to a positive cash flow from current operations amounting to approximately 21.3 million NIS in the corresponding period last year.

Cash flows used in investment activities

Cash flow used in investment activity in the second quarter and in the cumulative period amounted to approximately NIS 10.8 million and approximately NIS 61.8 million, respectively. This is compared to cash flow resulting from investment activity in total of about NIS 64.4 million and about NIS 53 million in the corresponding periods in previous years.

The main amount of the difference is attributed to a total of approximately NIS 115.3 million received in the second quarter of 2022 (the corresponding quarter), for the sale of an investment in Infinity (net of the payment of the tax thereon), which was partially offset by net cash used for the purchase of RDT in the amount of approximately NIS 41 million.

Cash flows used in financing activities

The cash flows used for financing operations in the accumulated period amounted to approximately NIS 328.9 million, compared to approximately NIS 73.4 million in the corresponding period last year. The main difference is attributed to the net repayment of short-term credit in the amount of approximately 22.6 million shekels, compared to the taking of current credit in the amount of approximately 200 million shekels in the corresponding period last year.

Average short-term credit (NIS in thousands)

	As of 30.06.2023	AS of 30.06.2022
Trade receivables	1,556,847	1,414,218
Trade payables	607,175	519,413

The company finances its current activities (including the gap between the average credit to customers and the average credit to suppliers) from the cash flow from current operations, receiving credit, from the equity and current liabilities that have not yet been paid.

Disclosure regarding a forecast Statement of cash flows report, pursuant to Regulation 10(b)(1)(d) of the Securities Regulations (Periodic and Immediate Reports):

As of June 30, 2023 in the Company's stand-alone statements, there is a deficiency in working capital. In view of this, the Board of Directors of the Company reviewed the Company's financial indicators, its compliance with applicable financial standards and the Company's existing and expected cash sources and needs. In the assessment of the Board of Directors of the Company, the deficiency in working capital in the stand-alone report does not indicate a liquidity problem. In light of the above, the Company is not required to publish a forecast statement of cash flows.

Condensed statements of changes in equity (NIS in thousands)

	For the period of six months ended	For the period of six months ended
	30.06.2023	30.06.2022
Opening balance	964,875	878,054
Net income	128,169	250,799
Dividend paid	(82,579)	(85,529)
Purchase of rights and dividend to non-controlling interests (net)	7,184	181
Translation adjustments	16,834	34,207
Other – net	4,535	(16,567)
Closing balance	1,039,018	1,061,145

2. The disclosure instructions in connection with the corporation's financial reporting

Goodwill

The remaining goodwill as included in the Company's financial statements is material to the company's total assets. The goodwill represents the excess of the investment cost over the balance sheet value in subsidiaries that were acquired by the group.

In accordance with General accepted accounting rules, the company examines the need for impairment every year. Beyond the annual review of the need for impairment, the company also examines during the year whether there are indications of impairment.

August 9, 2023

Guy Bernstein
Chairman of the Board
of Directors

Moti Gutman
Chief Executive Officer

Appendix A – Details with regard to debentures issued by the Company and held by the public at the date of the Report

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

Disclosure item	Details regarding the Series B debentures (2)
Date of issue:	Initial issue on September 18, 2022; Series expanded on December 4, 2022
Total nominal value material the date of issue ⁽¹⁾ :	295,249 on initial issue and 180,366 on expansion of series
Balance of nominal value at June 30, 2023:	475,615
The balance of the nominal value at the date of the Report when revalued according to the terms of linkage:	The series in unlinked
Value in the financial statements at June 30, 2023 (amortized cost according to the effective interest method):	478,247
Interest accrued at June 30, 2023:	8,556
Stock exchange value at June 30, 2023:	474,141
Type of interest:	Fixed interest at a rate of 4.1% per annum; It should be noted that the trust deed in respect of the Series B debentures attached to the offer report (the Trust Deed) provided mechanisms for adjustment of a change in the annual interest in respect of the Series B debentures, this, if there is non-compliance with the financial covenants or if there is a decrease in the rating of the Series B debentures pursuant to the said adjustment mechanisms (cumulatively). The overall rate of interest increments will not exceed 1%. For details, see sections 5.8 and 5.8 to the Trust Deed.
Payment dates of principal:	The principal of the Series B debentures shall be due for repayment in fourteen (14) six-monthly installments, made up of thirteen equal payments - each payment being 7.14% of the principal and the last payment being 7.18%, commencing August 1, 2023 through February 1, 2030.
Dates of payment of interest:	The interest in respect of the Series B debentures shall be paid in six-monthly installments, to be paid on February 1 and August 1, commencing February 1, 2023 through February 1, 2030.
Linkage base of principal and interest:	The Series B debentures are unlinked (principal and interest) to any linkage base.
Is there a right of conversion?	No
Early repayment or forced conversion of the debentures:	The Company shall be entitled of its own initiative to make the debentures available for early repayment, all in accordance with the provisions of section 6.2 of the Trust Deed.
Guarantee to pay the Company's liabilities according to the Trust Deed:	None
Does the date of the Company Report comply with all of the conditions and	Yes

Disclosure item	Details regarding the Series B debentures (2)
undertakings according to the Trust Deed?	
As of the date of the report and during the period of the report, were the conditions that constitute grounds for making the debentures available immediate repayment met?	No
Is the Company required by the trustee to perform various actions, including convening meetings of the debenture holders?	No
Details of securities / liens:	None

2) Details regarding the trustee for the Series debentures

Name of trustee:	Reznick Paz Trustees Ltd.
Name of official responsible for the debentures:	Shani Krasnoshansky
Contact details:	14. Yad Harutzim, Tel Aviv Tel: 03-689200 Fax: 03-06389222 e-mail: Shani@rpn.co.il

3) Details regarding the rating of the Series B debentures

Name of rating company at the date of the Report:	Midroog Ltd. ("Midroog")
Rating at the date of issue:	Aa3 with a stable outlook
Rating at the date of the Report:	Unchanged For the up-to-date rating, see Immediate Report published by the Company on 28.03.2023 (Ref. 2023-01-033000)

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

4) Financial covenants – Series B debentures

The table below sets forth the various standards to which the Company has undertaken vis-à-vis the debenture holders and the result of their calculation as of June 30, 2023, as follows:

Security	Balance of nominal value of the security in circulation as of 30.06.2023	Balance of nominal value of the security in circulation immediately prior to the date of the Report	Financial covenant	Actual covenant as of 30.06.2023
Series B debenture	475, 615	441, 656	Ratio of consolidated net financial debt (as defined in the Trust Deed) to total balance sheet must not exceed 45%	15.2%
Series B debenture	475, 615	441, 656	Ratio of consolidated net financial debt (as defined in the Trust Deed to adjusted EBITDA (as defined in the Tt Deed) must not exceed 5	1.04
Series B debenture	475, 615	441, 656	Shareholders' equity (as defined in the Trust Deed) is minimal, must be not less than NIS 275,000 thousand	1,039,018

CHAPTER B

Condensed Consolidated Interim Financial Statements 1 January-30 June 2023 (unaudited)



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

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Report on Review of Interim Financial Statements

To the Shareholders of

MATRIX IT LTD.

Introduction

We have reviewed the accompanying financial information of Matrix I.T. Ltd and subsidiaries ("the Company"), which comprise the condensed consolidated statement of financial position as of June 30, 2023 and the related condensed consolidated statement of profit or loss, comprehensive income, changes in equity and cash flows for the three and six-month period then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for these interim periods in accordance with IAS 34, "Interim Financial Reporting" and are responsible for the preparation of this interim financial information in accordance with Chapter D to the 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 certain subsidiaries, whose assets included in consolidation constitute approximately 8.3% of total consolidated assets as of June 30, 2023 and whose revenues included in consolidation constitute approximately 10.2% and 10.17% of total consolidated revenues for the six and three-month period then ended, respectively. 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 in respect of 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 Independent 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 accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

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

Tel Aviv, Israel
August 9, 2023

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In thousand NIS)

	30, June		31, December
	2023	2022	2022
	Unaudited		Audited
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	508,173	551,819	839,313
Trade receivables	1,631,933	1,431,462	1,481,761
Income taxes receivable	36,556	23,292	27,341
Other accounts receivable	112,119	155,034	112,750
Inventories	139,825	125,587	118,326
	2,428,606	2,287,194	2,579,491
NON-CURRENT ASSETS:			
Investments and other loans	16,800	17,698	16,800
Long term prepaid expenses	36,818	39,851	39,287
Right to use assets	215,114	123,419	180,344
Property, plant and equipment, net	103,738	97,102	98,165
Goodwill	936,607	897,619	898,516
Intangible assets, net	97,684	110,167	99,256
Deferred taxes	95,579	81,905	90,917
	1,502,340	1,367,761	1,423,285
	3,930,946	3,654,955	4,002,776

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

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In thousand NIS)

	30, June		31, December
	2023	2022	2022
	Unaudited		Audited
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks and others	441,952	672,009	471,454
Current maturities debenture	85,442	-	49,833
Current maturities lease liability	120,187	78,387	105,853
Trade payables	593,741	504,634	620,609
Income taxes payable	9,975	17,918	18,379
Other accounts payable	58,993	47,952	66,306
Employees and payroll accruals	393,799	373,008	407,309
Liabilities in respect of business combinations	4,205	4,090	6,774
Put options of non-controlling interests	76,995	48,814	93,113
Deferred revenues	287,491	276,922	286,172
	2,072,780	2,023,734	2,125,802
NON-CURRENT LIABILITIES:			
Loans from banks and others	185,198	324,501	274,525
Debenture	392,805	-	425,348
Deferred revenues	21,644	45,977	30,860
Put options of non-controlling interests	27,535	57,109	7,432
Lease liabilities	96,160	45,809	75,755
Deferred taxes	78,768	61,600	72,531
Liabilities in respect of business combinations	8,488	21,997	17,378
Employee benefit liabilities	8,550	13,083	8,270
	819,148	570,076	912,099
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Share capital and capital reserves	386,370	355,364	354,632
Retained earnings	601,024	660,201	561,777
	987,394	1,015,565	916,409
Non-controlling interests	51,624	45,580	48,466
TOTAL EQUITY	1,039,018	1,061,145	964,875
	3,930,946	3,654,955	4,002,776

August 9, 2023

Date of approval of
the financial
statementsGuy Bernstein
Chairman of the BoardMoti Gutman
Chief Executive OfficerNevo Brenner
Chief Financial Officer

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

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In thousand NIS)

	Six months ended 30.06.23	Six months ended (*) 30.06.22	Three months ended 30.06.23	Three months ended (*) 30.06.22	Year ended 31.12.22
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	NIS in thousands (except per share data)				
Sales turnover	2,577,895	(*)2,323,657	1,286,742	(*)1,165,672	4,672,689
Cost of sales and services	2,204,235	(*)1,996,270	1,101,700	(*)1,006,081	4,000,682
Gross profit	373,660	327,387	185,042	159,591	672,007
Selling and marketing expenses	90,437	79,305	45,261	39,465	166,246
General and administrative expenses	84,095	71,786	42,118	35,928	155,273
Operating profit before gain from realization of investment	199,128	176,296	97,663	84,198	350,488
Gain from realization of investment	-	150,059	-	150,059	150,059
Operating profit after realization of investment	199,128	326,355	97,663	234,257	500,547
Financing expenses	42,488	11,185	21,728	4,209	50,801
Financing income	10,170	133	6,300	133	5,020
Profit before deduction of taxes on income	166,810	315,303	82,235	230,181	454,766
Taxes on income	38,641	64,504	19,413	47,367	100,285
Net income	128,169	250,799	62,822	182,814	354,481
Other comprehensive income (net of tax effect):					
<u>Amounts that will not be reclassified subsequently to profit or loss:</u>					
Actuarial gain (loss) from defined benefit plans	2,469	5,242	1,219	1,842	8,923
<u>Amounts that will be, or, that have been reclassified to profit or loss, when specific conditions are met:</u>					
Foreign currency translation adjustments of operations abroad	17,678	34,207	8,651	29,418	35,842

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In thousand NIS)

	Six months ended 30.06.23 Unaudited	Six months ended (*) 30.06.22 Unaudited	Three months ended 30.06.23 Unaudited	Three months ended (*) 30.06.22 Unaudited	Year ended 31.12.22 Audited
	NIS in thousands (except per share data)				
Change in Fair Value of hedge instrument for cash hedging	(844)	-	(216)	-	(375)
Net comprehensive income	147,472	290,248	72,476	214,074	398,871
Net income attributable to:					
Shareholders of the Company	119,357	238,028	58,617	178,884	334,669
Non-controlling interests	8,812	12,771	4,205	3,930	19,812
Net income	128,169	250,799	62,822	182,814	354,481
Net comprehensive income attributable to:					
Shareholders of the Company	138,627	277,335	68,241	210,260	379,261
Non-controlling interests	8,845	12,913	4,235	3,814	19,610
Net comprehensive income	147,472	290,248	72,476	214,074	398,871
Net earnings per share attributable to equity holders of the Company (in NIS):					
Basic net income	1.88	3.79	0.92	2.91	5.32
Diluted net income	1.88	3.77	0.92	2.90	5.30

(*)-Reclassified

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY- (Unaudited in thousands NIS)

	Attributed to the Company's shareholders									
	Issued share capital	Share premium	Treasury shares	Retained earnings	Foreign currency translation reserve	Reserve- Transaction with a Former Controlling Shareholder	Reserve from share-based payment and liabilities in respect of options to NCI	Total	Non- controlling interests	Total equity
	NIS in thousands									
Balance as of January 1, 2023(Audited)	68,002	305,894	(7,982)	561,777	(19,587)	10,186	(1,881)	916,409	48,466	964,875
Net income	-	-	-	119,357	-	-	-	119,357	8,812	128,169
Foreign currency translation reserve from operations abroad and Forex Hedging	-	-	-	-	16,801	-	-	16,801	33	16,834
Actuarial gain from defined benefit plans	-	-	-	2,469	-	-	-	2,469	-	2,469
Total other comprehensive gain (loss)	-	-	-	2,469	16,801	-	-	19,270	33	19,303
Total comprehensive income	-	-	-	121,826	16,801	-	-	138,627	8,845	147,472
Exercise of employee phantom options	253	3,553	-	-	-	-	(3,806)	-	-	-
Transaction with non-controlling interests	-	-	-	-	-	-	7,753	7,753	1,817	9,570
Dividend declared	-	-	-	(82,579)	-	-	-	(82,579)	-	(82,579)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	(7,504)	(7,504)
Share-based payment	-	-	-	-	-	-	7,184	7,184	-	7,184
Balance as of June 30, 2023	68,255	309,447	(7,982)	601,024	(2,786)	10,186	9,250	987,394	51,624	1,039,018

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY- (Unaudited in thousands NIS)

	Attributed to the Company's shareholders							Total	Non-controlling interests	Total equity
	Issued share capital	Share premium	Treasury shares	Retained earnings	Foreign currency translation reserve	Reserve-Transaction with a Former Controlling Shareholder	Reserve from share-based payment and liabilities in respect of options to NCI			
	NIS in thousands									
Balance as of January 1, 2022 (Audited)	67,703	301,445	(7,982)	502,460	(55,256)	10,186	6,456	825,012	53,042	878,054
Net income	-	-	-	238,028	-	-	-	238,028	12,771	250,799
Foreign currency translation reserve from operations abroad	-	-	-	-	34,065	-	-	34,065	142	34,207
Actuarial gain from defined benefit plans	-	-	-	5,242	-	-	-	5,242	-	5,242
Total other comprehensive gain (loss)	-	-	-	5,242	34,065	-	-	39,307	142	39,449
Total comprehensive income	-	-	-	243,270	34,065	-	-	277,335	12,913	290,248
Exercise of employee phantom options	299	4,449	-	-	-	-	(4,748)	-	-	-
Disposal of non-controlling interests	-	-	-	-	-	-	-	-	(2,713)	(2,713)
Transaction with non-controlling interests	-	-	-	-	-	-	(1,434)	(1,434)	-	(1,434)
Dividend paid	-	-	-	(85,529)	-	-	-	(85,529)	-	(85,529)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	(17,662)	(17,662)
Share-based payment	-	-	-	-	-	-	181	181	-	181
Balance as of June 30, 2022	68,002	305,894	(7,982)	660,201	(21,191)	10,186	455	1,015,565	45,580	1,061,145

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY- (Unaudited in thousands NIS)

	Attributed to the Company's shareholders							Total	Non-controlling interests	Total equity
	Issued share capital	Share premium	Treasury shares	Retained earnings	Foreign currency translation reserve	Reserve-Transaction with a Former Controlling Shareholder	Reserve from share-based payment and liabilities in respect of options to NCI			
	NIS in thousands									
Balance as of April 1, 2023	68,255	309,447	(7,982)	586,289	(11,191)	10,186	(2,401)	952,603	50,409	1,003,012
Net income	-	-	-	58,617	-	-	-	58,617	4,205	62,822
Foreign currency translation reserve from operations abroad and Forex Hedging	-	-	-	-	8,405	-	-	8,405	30	8,435
Actuarial gain from defined benefit plans	-	-	-	1,219	-	-	-	1,219	-	1,219
Total other comprehensive gain (loss)	-	-	-	1,219	8,405	-	-	9,624	30	9,654
Total comprehensive income	-	-	-	59,836	8,405	-	-	68,241	4,235	72,476
Transaction with non-controlling interests	-	-	-	-	-	-	7,015	7,015	1,490	8,505
Dividend paid	-	-	-	(45,101)	-	-	-	(45,101)	-	(45,101)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	(4,510)	(4,510)
Share-based payment	-	-	-	-	-	-	4,636	4,636	-	4,636
Balance as of June 30, 2023	68,255	309,447	(7,982)	601,024	(2,786)	10,186	9,250	987,394	51,624	1,039,018

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY- (Unaudited in thousand NIS)

	Attributed to the Company's shareholders							Total	Non-controlling interests	Total equity
	Issued share capital	Share premium	Treasury shares	Retained earnings	Foreign currency translation reserve	Reserve-Transaction with a Former Controlling Shareholder	Reserve from share-based payment and liabilities in respect of options to NCI			
	NIS in thousands									
Balance as of April 1, 2022	67,991	305,709	(7,982)	524,130	(50,725)	10,186	1,679	850,988	49,563	900,551
Net income	-	-	-	178,884	-	-	-	178,884	3,930	182,814
Foreign currency translation reserve from operations abroad and Forex Hedging	-	-	-	-	29,534	-	-	29,534	(116)	29,418
Actuarial gain from defined benefit plans	-	-	-	1,842	-	-	-	1,842	-	1,842
Total other comprehensive gain (loss)	-	-	-	1,842	29,534	-	-	31,376	(116)	31,260
Total comprehensive income	-	-	-	180,726	29,534	-	-	210,260	3,814	214,074
Exercise of employee phantom options	11	185	-	-	-	-	(196)	-	-	-
Acquisition of non-controlling interests	-	-	-	-	-	-	(1,434)	(1,434)	-	(1,434)
Disposal of non-controlling interests	-	-	-	-	-	-	-	-	(2,713)	(2,713)
Dividend paid	-	-	-	(44,655)	-	-	-	(44,655)	-	(44,655)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	(5,084)	(5,084)
Share-based payment	-	-	-	-	-	-	406	406	-	406
Balance as of June 30, 2022	68,002	305,894	(7,982)	660,201	(21,191)	10,186	455	1,015,565	45,580	1,061,145

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY- (Audited in thousand NIS)

	Attributed to the Company's shareholders							Total	Non-controlling interests	Total equity
	Issued share capital	Share premium	Treasury shares	Retained earnings	Foreign currency translation reserve	Reserve-Transaction with a Former Controlling Shareholder	Reserve from share-based payment and liabilities in respect of options to NCI			
	NIS in thousands									
Balance as of January 1, 2022	67,703	301,445	(7,982)	502,460	(55,256)	10,186	6,456	825,012	53,042	878,054
Net income	-	-	-	334,669	-	-	-	334,669	19,812	354,481
Foreign currency translation reserve from operations abroad and Forex Hedging	-	-	-	-	35,669	-	-	35,669	(202)	35,467
Actuarial gain from defined benefit plans	-	-	-	8,923	-	-	-	8,923	-	8,923
Total other comprehensive gain (loss)	-	-	-	8,923	35,669	-	-	44,592	(202)	44,390
Total comprehensive income	-	-	-	343,592	35,669	-	-	379,261	19,610	398,871
Exercise of employee phantom options	299	4,449	-	-	-	-	(4,748)	-	-	-
Acquisition of non-controlling interests	-	-	-	-	-	-	(1,434)	(1,434)	-	(1,434)
Disposal of non-controlling interests	-	-	-	-	-	-	-	-	(2,713)	(2,713)
Transaction with non-controlling interests	-	-	-	-	-	-	(3,065)	(3,065)	3,065	-
Dividend paid	-	-	-	(284,275)	-	-	-	(284,275)	-	(284,275)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	(24,538)	(24,538)
Share-based payment	-	-	-	-	-	-	910	910	-	910
Balance as of December 31, 2022	68,002	305,894	(7,982)	561,777	(19,587)	10,186	(1,881)	916,409	48,466	964,875

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended, June 30, 2023 Unaudited	Six months ended, June 30, 2022 Unaudited	Three months ended, June 30, 2023 Unaudited	Three months ended, June 30, 2022 Unaudited	Year ended, December 31, 2022 Audited
	NIS in thousands				
Cash flows from operating activities:					
Net income	128,169	250,799	62,822	182,814	354,481
Adjustments to reconcile net income to net cash provided by operating activities:					
Adjustments to the profit or loss items:					
Depreciation and amortization	97,459	71,509	50,161	36,073	162,225
Taxes on income	38,641	64,504	19,413	47,367	100,285
Change in employee benefit liabilities	3,357	704	1,064	39	671
Other financial expenses, net	32,627	2,198	17,655	870	(*)21,745
Revaluation of long-term loans from banks	(152)	(58)	10	10	(26)
Revaluation of liabilities in respect of business combinations	507	349	539	269	417
Capital loss (gain) from sale of property, plant and equipment	(334)	570	(111)	542	(197)
Share-based payment	7,184	690	4,407	357	1,330
Gain from realization of Subsidiary	-	(150,059)	-	(150,059)	(150,059)
Increase (decrease) in value of put options of non-controlling interests	5,611	3,383	2,629	3,079	12,159
	184,900	(6,210)	95,767	(61,453)	148,550

(*)-Reclassified

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended, June 30, 2023 Unaudited	Six months ended, June 30, 2022 Unaudited	Three months ended, June 30, 2023 Unaudited	Three months ended, June 30, 2022 Unaudited	Year ended, December 31, 2022 Audited
	NIS in thousands				
Change in asset and liability items:					
Increase in trade receivables	(25,991)	(30,140)	(46,238)	(108,755)	(77,873)
Decrease (increase) in other accounts receivable and prepaid expenses	8,194	(50,853)	41,431	(8,943)	(7,898)
Decrease (increase) in inventories	(6,160)	(54,323)	(5,380)	(13,668)	(47,062)
Increase in trade payables	(108,079)	(47,045)	35,407	(14,301)	65,191
Increase in employee benefit liabilities, deferred revenues and other accounts payable	(41,888)	2,196	(41,180)	48,830	53,083
	(173,924)	(180,165)	(15,960)	(96,837)	(14,559)
Cash paid and received during the year for:					
Interest paid	(35,721)	(8,844)	(15,701)	(4,231)	(28,408)
Taxes paid	(62,519)	(52,554)	(32,529)	(25,447)	(91,991)
Taxes received	5,183	18,275	1,153	2,285	19,318
	(93,057)	(43,123)	(47,077)	(27,393)	(101,081)
Net cash provided by (used to) operating activities	46,088	21,301	95,552	(2,869)	387,391

(*)-Reclassified

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended, June 30, 2023	Six months ended, June 30, 2022	Three months ended, June 30, 2023	Three months ended, June 30, 2022	Year ended, December 31, 2022
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
NIS in thousands					
Cash flows from investing activities:					
Proceeds from sale of property, plant and equipment	2,595	414	1,456	318	1,244
Purchase of property, plant and equipment	(25,075)	(21,395)	(11,794)	(10,251)	(38,757)
Proceeds from Disposal of Subsidiary	-	143,641	-	143,641	143,641
Software Research and Development costs	(1,250)	-	(500)	-	-
Tax payment of Disposal of Subsidiary	-	(28,300)	-	(28,300)	(28,300)
Acquisition of initially consolidated subsidiaries (a)	-	(389)	-	-	(389)
Payment of initially consolidated subsidiary	(38,034)	(41,005)	-	(41,005)	(41,005)
Net cash provided by (used in) investing activities	(61,764)	52,966	(10,838)	64,403	36,434

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended, June 30, 2023	Six months ended, June 30, 2022	Three months ended, June 30, 2023	Three months ended, June 30, 2022	Year ended, December 31, 2022
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
NIS in thousands					
Cash flows from financing activities:					
Change in short-term credit from banks and other credit providers, net	(22,630)	199,663	(26,988)	(45,859)	(24,441)
Receipts of long-term loans from banks and others	-	-	-	-	90,000
Repayment of long-term loans from banks and others	(121,129)	(116,694)	(57,348)	(58,074)	(233,159)
Dividend paid	(82,579)	(85,529)	(82,579)	(85,529)	(284,275)
Repayment of liabilities in respect of business combinations	(11,903)	(1,517)	(9,004)	(1,517)	(3,132)
Repayment of capital lease obligation	(65,987)	(44,762)	(33,201)	(22,824)	(107,135)
Dividend paid to non-controlling interests	(13,928)	(21,193)	(10,934)	(21,193)	(45,368)
Repayment of liabilities in respect of NCI Options	(10,779)	(3,359)	(10,779)	(3,359)	(3,359)
Proceeds from issuance of debenture	-	-	-	-	471,476
Net cash provided by (used in) financing activities	(328,935)	(73,391)	(230,833)	(238,355)	(139,393)
Exchange rate differences on balances of cash and cash equivalents	13,471	16,811	6,278	12,798	20,749
Increase (Decrease) in cash and cash equivalents	(331,140)	17,687	(139,841)	(164,023)	305,181
Cash and cash equivalents at the beginning of the year	839,313	534,132	648,014	715,842	534,132
Cash and cash equivalents at the end of the year	508,173	551,819	508,173	551,819	839,313

(*)-Reclassified

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30, 2023 Unaudited	Six months ended June 30, 2022 Unaudited	Three months ended June 30, 2023 Unaudited	Three months ended June 30, 2022 Unaudited	Year ended December 31, 2022 Audited
	NIS in thousands				
(a) Acquisition of initially consolidated subsidiaries:					
The subsidiaries' assets and liabilities at date of acquisition:					
Working capital (excluding cash and cash equivalents)	(36,212)	(1,831)	-	(1,831)	(1,831)
Property, plant and equipment	(287)	(2,315)	-	(2,315)	(2,315)
Long term Deposits	-	(2)	-	(2)	(2)
Inventories	(15,339)	(8,694)	-	(8,694)	(8,694)
Deferred taxes	(350)	(2,363)	-	(2,363)	(2,363)
Goodwill	(28,694)	(36,322)	-	(36,322)	(36,322)
Intangible assets	(11,194)	(12,007)	-	(12,007)	(12,007)
Other short-term liabilities	25,081	4,801	-	4,801	4,801
Employee benefit liabilities	129	216	-	216	216
Deferred taxes	2,575	2,761	-	2,761	2,761
Liability of put options to non-controlling interests	26,257	-	-	-	-
Liability in respect of business combinations	-	14,751	-	14,751	14,751
	(38,034)	(41,005)	-	(41,005)	(41,005)
(b) Significant non-cash transactions:					
Declared dividend but not paid	-	2,239	-	2,239	-
Right-of-use asset recognized with corresponding lease liability	100,678	15,403	45,464	6,641	143,762

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended	Six months ended	Three months ended	Three months ended	Year ended
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	December 31, 2022
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	NIS in thousands				
(c) <u>Disposal of consolidated subsidiary:</u>					
The subsidiaries' assets and liabilities at date of disposal:					
Working capital (excluding cash and cash equivalents)	-	(24,707)	-	(24,707)	(24,707)
Investment in Securities	-	16,745	-	16,745	16,745
Property, plant and equipment	-	2,615	-	2,615	2,615
Deferred taxes	-	223	-	223	223
Goodwill	-	1,470	-	1,470	1,470
Employee benefit liabilities	-	(51)	-	(51)	(51)
Non-controlling interests	-	(2,713)	-	(2,713)	(2,713)
Gain on disposal of					
Subsidiary	-	150,059	-	150,059	150,059
	-	143,641	-	143,641	143,641

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**NOTE 1: - GENERAL**

- a. Matrix IT Ltd. ("the Company") was incorporated in Israel and began its business operations on September 12, 1989. The Company is considered an Israeli resident. The company is a public company, traded on Tel- Aviv Stock Exchange. The Company's registered address is 3 Abba Even Boulevard, Herzliya, Israel.
- b. The controlling shareholder of the Company is Formula Systems (1985) Ltd. ("Formula Systems"), which is controlled by Asseco Poland S.A., a Polish public company, traded on the Warsaw Stock Exchange, which holds 25.6% of the share capital of Formula Systems. (See regulation 21(a) – in chapter Other company details).
- c. The Company's shares are traded in the Tel Aviv Stock Exchange.

The company operates in five operating segments as follows:

1. Information Technologies (IT) Software solutions and services, Consulting & Management in Israel.
2. Information Technologies (IT) Software solutions and services in USA.
3. Software product sales, marketing and support.
4. Cloud infrastructure, and computer solutions.
5. Training and implementation.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES**a. Basis of preparation of the interim consolidated financial statements:**

The interim consolidated 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 Securities Regulations (Periodic and Immediate Reports), 1970.

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

b. Below are data on changes in the indices and the relevant exchange rates:

	As of 30.06.23	As of 30.06.22	As of 31.12.22
Consumer Price Index-CPI (Basis 2022)			
In Israel (Prevailing Index)	104.2	100	102.0
In Israel (Known Index)	104.2	99.62	101.7
Exchange rate against NIS			
Dollar	3.70	3.5	3.519
Euro	4.0185	3.6364	3.753

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

- b. Below are data on changes in the indices and the relevant exchange rates (CONT.) :

	Period ended 30.06.23 %	Period ended 30.06.22 %	Year ended 31.12.22 %
Consumer Price Index-CPI (Basis 2022)			
In Israel (Prevailing Index)	2.17	3.22	5.26
In Israel (Known Index)	2.46	3.13	5.28
Exchange rate against NIS			
Dollar	5.14	12.54	13.15%
Euro	7.07	3.31	6.62

- c. **Initial application of new financial reporting and accounting standards and amendments to existing financial reporting and accounting standards:**

1. Amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors":

In February 2021, the IASB issued an amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors" ("the Amendment"), in which it introduces a new definition of "accounting estimates".

Accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The Amendment clarifies the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.

The Amendment is to be applied prospectively for annual reporting periods beginning on or after January 1, 2023 and is applicable to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period.

The application of the Amendment did not have a material impact on the Company's interim financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (CONT.)**2. Amendment to IAS 12, "Income Taxes":**

In May 2021, the IASB issued an amendment to IAS 12, "Income Taxes" ("IAS 12"), which narrows the scope of the initial recognition exception under IAS 12.15 and IAS 12.24 ("the Amendment").

According to the recognition guidelines of deferred tax assets and liabilities, IAS 12 excludes recognition of deferred tax assets and liabilities in respect of certain temporary differences arising from the initial recognition of certain transactions. This exception is referred to as the "initial recognition exception". The Amendment narrows the scope of the initial recognition exception and clarifies that it does not apply to the recognition of deferred tax assets and liabilities arising from transactions that are not a business combination and that give rise to equal taxable and deductible temporary differences, even if they meet the other criteria of the initial recognition exception.

The Amendment is effective for annual reporting periods beginning on or after January 1, 2023. In relation to leases and decommissioning obligations, the Amendment is applied commencing from the earliest reporting period presented in the financial statements in which the Amendment is initially applied. The cumulative effect of the initial application of the Amendment is recognized as an adjustment to the opening balance of retained earnings (or another component of equity, as appropriate) at that date.

The application of the Amendment did not have a material impact on the Company's interim financial statements.

3. Amendment to IAS 1 - Disclosure of Accounting Policies:

In February 2021, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" ("the Amendment"), which replaces the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. One of the main reasons for the Amendment is the absence of a definition of the term 'significant' in IFRS whereas the term 'material' is defined in several standards and particularly in IAS 1.

The Amendment is effective for annual periods beginning on or after January 1, 2023.

The above Amendment did not have an effect on the Company's interim consolidated financial statements. However, the Company is evaluating whether the Amendment will affect the disclosures of accounting policies in the Company's annual consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: - OPERATING SEGMENTS

a. General:

The activity segments were determined based on the information reviewed by the Chief Operating Decision Maker (CODM) for resource allocation and performance evaluation purposes. Accordingly, for management purposes, the group is structured according to activity segments based on the products and services and the geographic location of the business units.

The Company operates through subsidiaries in the following segments:

- Information Technologies (IT) Software solutions and services, Consulting & Management in Israel.
- Information Technologies (IT) Software solutions and services in US.
- Training and implementation.
- Cloud infrastructure and computer solutions.
- Software product marketing and support.

Information Technologies (IT) Software solutions and services, Consulting & Management in Israel.

Operations in this segment focus mainly on the development of large-scale technological systems and the provision of related services, including consulting and management, integration of computer and software, integration projects, outsourcing, software project management, software development, software testing, and QA. In addition, the activities in this area include management consulting services and multi-disciplinary operational and engineering consulting, including supervision of complex engineering projects, all according to the specific needs of the customer, and in accordance with the professional expertise required in each case.

Information Technologies (IT) Software solutions and services in US.

The activity in this area, which is carried out through two arms - Matrix US Holding and Xtivia, each of which owns a number of subsidiaries in the USA.

Activities in this segment include the provision of solutions and services to experts in the GRC field including financial risk management, Fraud prevention, Anti-money laundering, Trade surveillance, Payment Services and Regulatory compliance security, as well as, specialized advisory services in the area of compliance with financial regulation and operational services. In addition, the activity in this area includes the provision of specialized technological solutions and services in the areas of: Portals, BI, Data Base Administration (DBA), CRM (Customer Relation Management), and EIM (Enterprise Information Management). In addition, the activity in this segment includes: dedicated solutions for the Gov. Con. (Government contracting market), IT Help Desk services specializing in healthcare and Software distribution services.

In addition, the activity in this field includes professional services and Off-Shore solutions including through employees in the company's activity centers in India and professional services and projects through personnel from across the Matrix group, as a gateway to a business model of exporting the company's services and products in the USA.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: - OPERATING SEGMENTS (CONT.)***Training and implementation:***

The Group's activities in this segment consist of operating a network of high-tech training and instruction centers that provide application courses, professional training courses and advanced professional studies in the high-tech industry, courses of soft skills and management training, and provision of training and implementation of computer systems directly in institutions and outsourcing and BPO of the management of training centers for customers as well as the provision of a variety of professional services by the outstanding graduates of the company's training courses, in an outsourcing format.

Cloud infrastructure and computer solutions:

The company's activities are primarily providing computer solutions to computer and communications infrastructures, marketing and sale of computers and peripheral equipment to business customers, providing related services, and cloud computing solutions (through the business specializing unit of the Company - Cloud Zone), and 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 centers, office automation and printing solutions, a variety of services in the field of Data and Big Data, through the specialized business unit of the company - Data Zone as well as the representation of leading manufacturers of test 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 adapted to the needs of the customer, through the business units specializing in this field - RDT Equipment and Systems and Asio Vision.

Software product marketing and support:

This segment is mainly software sales and distribution (mostly from abroad), and provides professional support for these products to customers, including marketing and maintenance of software products in various fields, providing professional support services for these products to customers as well as implementation, training, support and maintenance projects for the products and the integrated systems.

The accounting policies of the operating segments are the same as those presented in Note 2.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**NOTE 3: - OPERATING SEGMENTS (CONT.)**

c. Reporting on operating segments:

Six months ended June 30, 2023 Unaudited (In thousand NIS)							
	IT Software solutions and services, Consulting & Management in Israel	Training and implementation	Software product marketing and support	Cloud infrastructure and computer solutions	IT Software solutions and services, in US	Adjustments	Total
	NIS in thousands						
Revenues from external customers	1,422,007	96,485	129,891	698,728	230,784	-	2,577,895
Inter-segment revenues	41,958	2,846	14,795	32,522	160	(92,281)	-
Revenues	<u>1,463,965</u>	<u>99,331</u>	<u>144,686</u>	<u>731,250</u>	<u>230,944</u>	<u>(92,281)</u>	<u>2,577,895</u>
Segment operating results	<u>103,416</u>	<u>12,126</u>	<u>12,911</u>	<u>43,263</u>	<u>32,996</u>	<u>(5,584)</u>	<u>199,128</u>
Financial expenses							(42,488)
Financial income							10,170
Taxes on income							<u>(38,641)</u>
Net income							<u>128,169</u>

Six months ended June 30, 2022 Unaudited (In thousand NIS)							
	IT Software solutions and services, Consulting & Management in Israel	Training and implementation	Software product marketing and support	Cloud infrastructure and computer solutions*	IT Software solutions and services, in US.	Adjustments	Total
	NIS in thousands						
Revenues from external customers	1,277,021	107,377	123,480	*629,678	186,101	--	*2,323,657
Inter-segment revenues	32,768	1,650	7,491	29,320	500	(71,729)	-
Revenues	<u>1,309,789</u>	<u>109,027</u>	<u>130,971</u>	<u>*658,998</u>	<u>186,601</u>	<u>(71,729)</u>	<u>*2,323,657</u>
Segment operating results	<u>99,115</u>	<u>11,572</u>	<u>9,217</u>	<u>36,736</u>	<u>23,862</u>	<u>(4,206)</u>	<u>176,296</u>
Gain from realization of Subsidiary							150,059
Financial expenses							(11,185)
Financial income							133
Taxes on income							<u>(64,504)</u>
Net income							<u>250,799</u>
*Reclassified							

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**NOTE 3: - OPERATING SEGMENTS (CONT.)**

c. Reporting on operating segments:

	Three months ended June 30, 2023 Unaudited (In thousand NIS)						Adjustments	Total
	IT Software solutions and services, Consulting & Management in Israel	Training and implementation	Software product marketing and support	Cloud infrastructure and computer solutions	IT Software solutions and services, in US.			
	NIS in thousands							
Revenues from external customers	703,331	46,685	76,405	337,246	123,075	-		1,286,742
Inter-segment revenues	24,628	1,531	5,801	18,820	-	(50,780)		-
Revenues	<u>727,959</u>	<u>48,216</u>	<u>82,206</u>	<u>356,066</u>	<u>123,075</u>	<u>(50,780)</u>		<u>1,286,742</u>
Segment operating results	<u>49,186</u>	<u>5,422</u>	<u>7,674</u>	<u>20,094</u>	<u>18,291</u>	<u>(3,004)</u>		<u>97,663</u>
Financial expenses								(21,728)
Financial income								6,300
Taxes on income								(19,413)
Net income								<u>62,822</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**NOTE 3: - OPERATING SEGMENTS (CONT.)**

c. Reporting on operating segments (Cont.) :

Three months ended June 30, 2022 Unaudited (In thousand NIS)							
	IT Software solutions and services, Consulting & Management in Israel	Training and implementation	Software product marketing and support	Cloud infrastructure and computer solutions*	IT Software solutions and services, in US	Adjustments	Total
	NIS in thousands						
Revenues from external customers	626,452	54,150	56,281	*337,229	91,560	--	*1,165,672
Inter-segment revenues	17,812	900	3,632	5,136	149	(27,629)	-
Revenues	<u>644,264</u>	<u>55,050</u>	<u>59,913</u>	<u>*342,365</u>	<u>91,709</u>	<u>(27,629)</u>	<u>*1,165,672</u>
Segment operating results	<u>44,991</u>	<u>6,980</u>	<u>4,415</u>	<u>18,279</u>	<u>13,573</u>	<u>(4,040)</u>	<u>84,198</u>
Gain from realization of Subsidiary							150,059
Financial expenses							(4,209)
Financial income							133
Taxes on income							<u>(47,367)</u>
Net income							<u>182,814</u>

*Reclassified

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**NOTE 3: - OPERATING SEGMENTS (CONT.)**

	Year ended December 31, 2022 Audited (In thousand NIS)						Total
	IT Software solutions and services, Consulting & Management in Israel	Training and implementation	Software product marketing and support	Cloud infrastructure and computer solutions	IT Software solutions and services, in US	Adjustments	
	NIS in thousands						
Revenues from external customers	2,435,375	207,613	249,855	1,345,573	434,273	-	4,672,689
Inter-segment revenues	73,102	4,345	21,174	81,843	628	(181,092)	-
Revenues	2,508,477	211,958	271,029	1,427,416	434,901	(181,092)	4,672,689
Depreciation and amortization	121,975	6,489	3,531	25,573	4,657	-	162,225
Segment operating results	180,359	6,489	24,200	76,607	60,228	(15,789)	350,488
Gain from realization of Subsidiary							150,059
Financial expenses							(50,801)
Financial income							5,020
Taxes on income							(100,285)
Net income							354,481

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: - Significant events during the reporting period

1. On January 1, 2023, the Company purchased 70% of the share capital of Zebra Technologies Ltd. ("Zebra") for NIS 53 million (including equity). Zebra is engaged in the distribution and marketing of solutions in the fields of data communication, cyber protection, hardware, software and services. As part of the transaction, the company entered into a mutual option agreement with the seller for the sale and purchase of the remaining shares. As of the date of the report, the valuation underlying the attribution of the proceeds to the assets and liabilities (PPA), has not yet been completed, and accordingly this attribution is temporary, according to management's assessment and will be updated in the following periods after the completion of the valuation. According to the temporary purchase price allocation, the excess purchase cost of 37.3 million NIS was attributed by the Company to intangible assets 11.2 million and the balance was attributed to goodwill.
2. Following the announcement of the dividend from March 12, 2023, the Company distributed on April 16, 2023, a total dividend of 37.48 million shekels to its shareholders (which is 59 agorot for every 1 shekel of ordinary shares).
3. Following the announcement of the dividend from May 11, 2023, the Company distributed on June 5, 2023, a total dividend of 45.10 million shekels to its shareholders (which is 71 agorot for every 1 shekel of ordinary shares).
4. On March 12, 2023, the Company's board of directors, after receiving the approval of the Compensation committee, approved the allocation of 920,000 exercisable options for up to 920,000 ordinary shares of NIS 1 each without consideration, to 18 officers and senior employees of the Company or of corporations under its control. The strike price of the options on the date of their grant is NIS 71.25. The strike price is subject to adjustments, including when distributing a dividend. Half of the number of options will mature on March 12, 2025, a quarter of the remaining options will mature on March 12, 2026, and the balance will mature on March 12, 2027. The lifetime of the options is 5 years from the date of grant. The fair value of the options is estimated on the day of grant according to the binomial model in the amount of NIS 22.38 per option, based on a risk-free interest rate of 3.34%-4.53%, an early exercise factor of 130% and an expected volatility of 31%.

CHAPTER C

Financial data from the Consolidated Interim Financial Statements attributed to the Company for June 30, 2023 (unaudited)



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

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**Special report of the Auditing Accountant
to the shareholders of Matrix IT. Ltd
on standalone interim financial information according to Regulation 38(d) of the Securities
Regulations (Periodic and Immediate reports), 1970**

Introduction

We reviewed the standalone interim financial information presented according to Regulation 38(d) of the Securities Regulations (Periodic and Immediate Reports), 1970 of Matrix IT Ltd. (hereinafter - the Company), as of June 30, 2023 and for the periods of six and three months ended on the same date. The standalone interim financial information is the responsibility of the Company's board of directors and management. Our responsibility is to express a conclusion on the standalone interim financial information for this interim period based on our review.

Scope of Review

We conducted our review in accordance with Israel Review Standard (2410) of the Israel Institute of Certified Public Accountants "Review of Financial Information for Interim Periods Conducted by the Entity's Auditor". A review of standalone financial information for interim periods consists of inquiries, primarily with persons responsible for financial and accounting matters, and the application of analytical and other review procedures. A review is considerably more limited in scope than an audit conducted in accordance with auditing standards accepted in Israel and therefore does not allow us to obtain assurance that we will know all the significant matters that could have been identified in the audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the aforementioned standalone financial information is not prepared, in all material respects, in accordance with the provisions of Regulation 38(d) of the Securities Regulations (Periodic and Immediate Reports), 1970.

**FINANCIAL DATA FROM THE CONSOLIDATED BALANCE SHEETS ATTRIBUTED TO THE COMPANY
(IN THOUSANDS NIS)**

	30, June 2023	2022	31, December 2022
	Unaudited		Audited
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	57,321	2,503	141,387
Trade receivables	72,615	48,509	59,713
Intercompany balances in Related Companies	77,197	86,113	50,708
Income taxes receivable	1,779	-	1,829
Other accounts receivable	4,141	2,712	1,151
	213,053	139,837	254,788
NON-CURRENT ASSETS:			
Balances in Related Companies, net	2,188,933	1,927,796	2,061,236
Capital letter to Related Company	24,659	24,659	24,659
Right to use assets	11,359	17,967	14,034
Deferred taxes	4,686	5,341	4,636
	2,229,637	1,975,763	2,104,565
	2,442,690	2,115,600	2,359,353

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

**FINANCIAL DATA FROM THE CONSOLIDATED BALANCE SHEETS ATTRIBUTED TO THE COMPANY
(IN THOUSANDS NIS)**

	30, June 2023	2022	31, December 2022
	Unaudited		Audited
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks and others	206,010	216,018	206,014
Current maturities debenture	85,442	-	49,833
Current maturities lease liability	10,168	13,511	11,449
Trade payables	13,141	14,895	13,995
Income taxes payable	-	9,479	-
Employees and payroll accruals	18,407	16,093	27,708
Other accounts payable	7,954	16,033	18,359
Intercompany balances in Related Parties	715,498	797,549	678,737
	<u>1,056,620</u>	<u>1,083,578</u>	<u>1,006,095</u>
NON-CURRENT LIABILITIES:			
Loans from banks and others	3,000	9,001	5,999
Debenture	392,805	-	425,348
Lease liabilities	-	3,247	1,910
Deferred taxes	2,613	3,704	3,228
Employee benefit liabilities	258	505	364
	<u>398,676</u>	<u>16,457</u>	<u>436,849</u>
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Share capital and capital reserves	386,370	355,364	354,632
Retained earnings	601,024	660,201	561,777
TOTAL EQUITY	<u>987,394</u>	<u>1,015,565</u>	<u>916,409</u>
	<u>2,442,690</u>	<u>2,115,600</u>	<u>2,359,353</u>

August 9, 2023

Date of approval of
the financial
statements

Guy Bernstein
Chairman of the Board

Moti Gutman
Chief Executive Officer

Nevo Brenner
Chief Financial Officer

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

**FINANCIAL DATA FROM THE CONSOLIDATED REPORTS ON THE COMPREHENSIVE PROFIT
ATTRIBUTED TO THE COMPANY (IN THOUSANDS NIS)**

	Six months ended, 30.06.23	Six months ended, 30.06.22	Three months ended, 30.06.23	Three months ended, 30.06.22	Year ended, 31.12.22
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	NIS in thousands				
Sales turnover	122,184	152,895	72,995	54,347	232,472
Cost of sales and services	52,298	71,495	32,536	33,020	130,941
Gross profit	69,886	81,400	40,459	21,327	101,531
Selling and marketing expenses	10,881	15,721	6,888	6,492	41,241
General and administrative expenses	20,069	10,055	11,885	4,241	24,164
Operating profit	38,936	55,624	21,686	10,594	36,126
Financing expenses	16,263	1,573	8,802	798	26,756
Financing income	1,933	-	1,638	-	513
Our share in Related Companies earnings, net	100,454	195,590	47,138	171,070	326,788
Profit before deduction of taxes on income	125,060	249,641	61,660	180,866	336,671
Taxes on income	5,703	11,613	3,043	1,982	2,002
Net income attributable to the Company	119,357	238,028	58,617	178,884	334,669
Actuarial gain (loss) from defined benefit plans	2,469	5,242	1,219	1,842	8,923
Foreign currency translation adjustments of operations abroad	16,801	34,065	8,405	29,534	35,669
Net comprehensive income attributable to the Company	138,627	277,335	68,241	210,260	379,261

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

FINANCIAL DATA FROM THE CONSOLIDATED REPORTS ON THE CASH FLOWS ATTRIBUTED TO THE COMPANY (IN THOUSANDS NIS)

	Six months ended, June 30, 2023 Unaudited	Six months ended, June 30, 2022 Unaudited	Three months ended, June 30, 2023 Unaudited	Three months ended, June 30, 2022 Unaudited	Year ended, December 31, 2022 Audited
NIS in thousands					
<u>Cash flows from operating activities:</u>					
Net income	119,357	238,028	58,617	178,884	334,669
Adjustments to reconcile net income to net cash provided by operating activities:					
Adjustments to the profit or loss items:					
Our share in Related Companies earnings, net	(100,454)	(195,590)	(47,138)	(171,070)	(326,788)
Taxes on income	5,703	11,613	3,043	1,982	2,002
Depreciation and amortization	7,646	4,215	4,103	1,543	13,344
Change in employee benefit liabilities	(106)	10	(89)	(35)	(131)
Other financial expenses, net	17,038	(58)	12,011	(126)	(*)6,142
Revaluation of long-term loans from banks	-	(5)	-	(3)	(9)
Share-based payment	7,184	690	4,407	357	1,330
	(62,989)	(179,125)	(23,663)	(167,352)	(304,110)

* Reclassified

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

FINANCIAL DATA FROM THE CONSOLIDATED REPORTS ON THE CASH FLOWS ATTRIBUTED TO THE COMPANY (IN THOUSANDS NIS)

	Six months ended, June 30, 2023 Unaudited	Six months ended, June 30, 2022 Unaudited	Three months ended, June 30, 2023 Unaudited	Three months ended, June 30, 2022 Unaudited	Year ended, December 31, 2022 Audited
	NIS in thousands				
Changes in asset and liability items:					
Increase in trade receivables	(12,902)	(7,437)	(11,878)	4,726	(18,641)
Decrease (increase) in other accounts receivable and prepaid expenses	(2,709)	1,843	8,911	1,454	3,685
Increase in trade payables	(854)	2,715	(2,567)	(1,769)	1,815
Increase in employee benefit liabilities, deferred revenues and other accounts payable	(20,468)	(5,664)	(14,851)	(8,960)	6,835
Decrease (increase) in Related Parties Balances	10,272	25,013	134,008	89,107	(58,394)
	<u>(26,661)</u>	<u>16,470</u>	<u>113,623</u>	<u>84,558</u>	<u>(64,700)</u>
Cash paid and received during the year for:					
Interest paid	(16,104)	(534)	(8,681)	(151)	(4,644)
Taxes paid	(6,223)	(7,439)	(2,589)	(6,154)	(8,723)
Taxes received	163	-	-	-	1,043
	<u>(22,164)</u>	<u>(7,973)</u>	<u>(11,270)</u>	<u>(6,305)</u>	<u>(12,324)</u>
Net cash provided by (used to) operating activities	<u>7,543</u>	<u>67,400</u>	<u>137,307</u>	<u>89,785</u>	<u>(46,465)</u>

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

FINANCIAL DATA FROM THE CONSOLIDATED REPORTS ON THE CASH FLOWS ATTRIBUTED TO THE COMPANY (IN THOUSANDS NIS)

	Six months ended, June 30, 2023 Unaudited	Six months ended, June 30, 2022 Unaudited	Three months ended, June 30, 2023 Unaudited	Three months ended, June 30, 2022 Unaudited	Year ended, December 31, 2022 Audited
NIS in thousands					
<u>Cash flows from financing activities:</u>					
Change in short-term credit from banks and other credit providers, net	-	10,001	-	1	-
Repayment of capital lease obligation	(8,162)	(6,375)	(4,233)	(3,368)	(14,971)
Repayment of long-term loans from banks and others	(3,000)	(3,000)	(1,500)	(1,500)	(6,000)
Proceeds from issuance of Debenture	-	-	-	-	471,476
Dividend paid	(82,579)	(85,529)	(82,579)	(85,529)	(284,275)
Net cash provided by (used in) financing activities	(93,741)	(84,903)	(88,312)	(90,396)	166,230
Exchange differences	2,132	591	1,914	276	2,207
Increase (Decrease) in cash and cash equivalents	(84,066)	(16,912)	50,909	(335)	121,972
Cash and cash equivalents at the beginning of the year	141,387	19,415	6,412	2,838	19,415
Cash and cash equivalents at the end of the year	57,321	2,503	57,321	2,503	141,387

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

ADDITIONAL INFORMATION**1: - GENERAL**

This “Standalone” financial information of Matrix I. T. Ltd. (hereinafter – “the Company”) prepared in a condensed format for June 30, 2023 and for the periods of six and three months that ended on that date, in accordance with the provisions of Regulation 38(d) of the Securities Regulations (Periodic and Immediate Reports), 1970. This “Standalone” financial information should be reviewed in connection with the “Solo” financial information on the Company's annual Financial Statements for December 31, 2022 and the year ended on that date, and the additional information accompanying them.

2: - SIGNIFICANT ACCOUNTING POLICIES

The accounting policy applied in preparing this “Standalone” financial information is consistent with the one applied in preparing the “Standalone” financial information for December 31, 2022.