



Matrix I.T. Ltd.

Quarterly Report as of
31 March 2025



The information contained in these Description of the Corporation's Business published by the Company constitutes a translation of the Description of the Corporation's Business 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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CHAPTER A

Board of Directors' Report for the three months ended 31.03.2025

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

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

1.1.1. Description of operating segments

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

The Matrix Group employs approximately 12,000 software, hardware, engineering, integration, and training personnel, who provide services in advanced fields of information and management technology to hundreds of customers in the Israeli market as well as customers in the US market. The Group also engages in the sale and marketing of software and hardware products from a wide range of manufacturers from Israel and overseas, as well as the provision of consulting, project management and multidisciplinary engineering consulting services.

The Company has four¹ areas of activity – (1) Information Technology Solutions and Services, Consulting, and Management in Israel; (2) Information Technology Solutions and Services in the United States; (3) Sales, Marketing and Support of Software Products; and (4) Cloud and Computing Infrastructures.

The Company provide solutions, services, and products to thousands of customers in the following main segments ("segments"): banking and finance, high-tech and startups, government and the public sector, defense, transportation, health, industry, retail and trade, education and academia. Unique divisions operate in each one of these segments, specializing in providing specific solutions to the particular sector in which they operate, as well as managing and carrying out projects for the Company's lateral entities.

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

1.1.2. Business environment

The business environment in which the Company operates is directly affected by global and local trends and events, the most important of which will be presented below. For additional details regarding the Company's business environment, see Section 1.1.2 of the Board of Directors' Report as of 31.12.2024, and Section 6 of the chapter on the Description of the Corporation's Affairs, in the 2024 Periodic Report.

¹ As of the 2024 financial statements, the Company presents the training and implementation activity, which was previously presented as a separate operating segment, as part of the IT, Consulting, and Management Solutions in Israel segment. For further details, see Note 24 to the Consolidated Financial Statements.

1.1.3. **Global economic environment**

As of the date of this report, in general, the global economy has continued to stabilize after facing the effects of the significant increase in inflation rates in recent years, which was followed by rising interest rates during the course of the post-COVID-19 period.

The decrease in inflation in the US market continues and is currently at 2.4% (March 2025, in annual terms, based on the last 12 months - LTM). At the same time, the US Federal Reserve has maintained the interest rate at 4.5%.

The downward trend in inflation is also evident in the Eurozone and stands at 2.2% (March 2025 – LTM). This stabilization of inflation was accompanied by sharp interest rate reductions which, as of the reporting date, stands at 2.25%, following several consecutive interest rate reductions by the European Central Bank.

In April 2025, the President of the United States announced a new tariffs plan that includes two main components - a uniform 10% tariff on all imports to the United States and additional tariffs on imports from countries with a significant trade surplus with the United States, at different rates. The tariff imposed on imports to the United States from Israel stands at 17%. In the Company's assessment, the above tariffs are not expected to have a direct adverse impact on the Company's activities.

Similarly, despite the downward trend in inflation, there are still concerns of further inflationary outbursts and price increases. This is due, *inter alia*, to the imposition of tariffs by the US government and the possibility of the development and/or worsening of geopolitical conflicts.

Israel economic environment

The main global economic trends described above occurred, to a large extent, in the Israeli economy as well. At the same time, the Israeli economy was impacted in the past year primarily by unique and complex local events that had a substantial impact, primarily the Iron Swords War.

Security situation

As of the report date, the Iron Swords War is ongoing. The war broke out on October 7, 2023, following a murderous attack by the terrorist organization Hamas on communities surrounding Gaza and other communities in the south of the country. The war against terror organizations (that are supported by Iran) continues in the Gaza Strip, in Lebanon, in Syria, and in Yemen. In October 2024, the fighting on the northern border of the State of Israel against the Hezbollah terrorist organization intensified, ending, as of this date, with the signing of a ceasefire agreement at the end of 2024.

Additionally, there is direct conflict with Iran, which has carried out two direct attacks by launching ballistic and cruise missiles as well as UAVs against the State of Israel. In October 2024, in response to the Iranian attacks against it, the State of Israel attacked military and other targets on Iranian soil. In light of the ceasefire on its northern border, the likelihood of an Iranian response to this attack has decreased, but it should be noted that a renewed escalation with Iran may have a significant impact on the State of Israel, the Middle East and other countries that are involved.

The war has thus far cost the lives of more than 1,800 Israelis and has led to thousands more being injured. In addition, 251 civilians and soldiers have been kidnapped by the terrorist organizations and 59 of them are still being held hostage.

As of the date of the reporting date, the continuation of the war, on each of its fronts, remains unclear.

The security situation, and the uncertainty surrounding it naturally impact economic activity, has led to a decrease in the growth forecast, an expected increase in the government deficit, and the country's debt-to-GDP ratio. Also, international ratings agencies reduced the State of Israel's credit rating significantly because of the increased geopolitical risks as a result of the worsening of hostilities and the concern over long-term harm to the Israeli economy. Credit ratings are currently: Moody's - Baa1 (negative outlook); S&P - A- (negative outlook). The increased perception of the risk faced by the State of Israel is also expressed in the yield on State of Israel government bonds. Nevertheless, as of the second half of 2024 and following Israel's military successes, a positive change in the economy was evident. Thus, despite the many difficulties and challenges facing the business environment, the Israeli economy has demonstrated robustness and resilience. As noted, economic activity in Israel has begun to recover from the second half of 2024.

Economic indexes

We note that even before the outbreak of the war, the Israeli economy faced high inflation and rising interest rates, *inter alia*, on the background of the legal reform and the wave of social protests that arose in its wake. These trends slowed in late 2023 and the first half of 2024. Accordingly, in January 2024, the Bank of Israel lowered the interest rate to 4.5% and this rate remains unchanged as at the reporting date. The CPI has increased (March index - LTM) at a rate of approximately 3.3%.

The Company estimates that the inflationary impact on the results of its operations is immaterial, *inter alia*, because the Company's financial debt is not linked to the CPI. On the other hand, 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. In this context, it should also be noted that the main component of the Company's expenses is wages (about 55% of the Company's operating expenses), which, in the Company's assessment, are impacted mainly by trends in supply and demand of technological staffing, and inflation is expected to have a limited effect on them.

In terms of real economic activity - GDP grew by 0.6% in 2024, and according to the Bank of Israel forecast,² it is expected to grow by 4% in 2025.

Heavy war-related spending has led to an increase in Israel's trade deficit, which was 5.2% of GDP in March 2025.

Similarly, the unemployment rate in the economy remains low - 2.6% in March 2025, and reflects a tight labor market.

² <https://www.boi.org.il/publications/pressreleases/6-1-25/>

The high-tech industry

As a provider of IT solutions, products, and services, the Company competes with other companies in the high-tech industry for quality personnel. In addition, a significant part of the Company's sales (approximately 16% in 2024) are to companies in the high-tech sector. The past two years have been challenging for the Israeli high-tech sector. This is reflected, *inter alia*, in a decline in the number of startups and a decrease in demand for technological staffing (with an emphasis on inexperienced employees – juniors).

According to a report by the Israel Innovation Authority from April 2025, in 2024, there has been a decrease (for the first time in a decade) in the number of employees in the high-tech industry in Israel.³

In the Company's assessment, the staffing reduction trend in high-tech companies may make it easier for the Company to recruit and retain employees, and to mitigate the pressure for wage increases on the part of the employees. On the other hand, the uncertainty in the high-tech industry could lead to a decrease in demand and even harm some of the Company's customers in this operating sector and consequently, harm the Company's operating results.

Effect on the Company's operating results

As at the date of the financial statements and as at the reporting date, approximately 120 and approximately 215 of the Company's employees (respectively) are on active reserve duty.

Notwithstanding the above, as explained below, the Company's operations in the first quarter of 2025 were characterized by an increase in the volume of the Company's activity and its operating results. In the Company's assessment, there war has no material impact on operating results.

The information mentioned above in this section concerning the Company's assessments as to the impact on the war on its operations, a war that is at its peak and whose full effects and implications have not yet been ascertained, the Company's economic environment, and developments in the high-tech industry, constitutes forward-looking information, as defined in the Securities Law, 1968 (the "Securities Law"), which is based on management's assessments and business experience, as well as assumptions, various scenarios, analyses, and public information, along with the assessments of research companies and analysts as of the report date. The information may not materialize, in whole or in part, or materialize differently, including in a manner that is materially different than expected, inter alia, as a result of high uncertainty, economic instability, and developments that cannot be assessed at this time in connection with the war, its duration, intensity, and impact, including in relation to the functioning of the economy and the home front, as a result of market competition, economic slowdown or instability in the economy, and as a result of the realization of all or part of the risk factors appearing in Section 19 of the Company's Periodic Report.

³ <https://innovationisrael.org.il/wp-content/uploads/2025/04/%D7%93%D7%95%D7%AA-%D7%94%D7%AA%D7%A2%D7%A1%D7%95%D7%A7%D7%94-%D7%91%D7%94%D7%99%D7%99%D7%98%D7%A7-2025.pdf>

1.1.4. Material events during the reporting period

Entering into a memorandum of understanding for a merger with Magic

On March 10, 2025, a memorandum of understanding was executed between Matrix and Magic Software Industries Ltd. ("Magic") to negotiate a binding merger agreement, in which the Company will acquire all of Magic's issued and outstanding share capital by means of a reverse triangular merger. As part of the transaction, Magic's shareholders will receive consideration in the form of shares in the Company. When the transaction is completed, Magic will become a privately held company, wholly owned by Matrix.

As Formula is the controlling shareholder in both the Company and Magic, and in light of the materiality of the transaction, the Company's Board of Directors appointed an independent committee that was empowered to examine the engagement in the transaction, to negotiate with Magic regarding the terms of the transaction, to approve the transaction, and to formulate recommendations to the Board with regard thereto. For additional details, see the immediate report dated 11.3.2025 (reference: 2025-01-015939).

Acquisition of Gav Systems

On February 4, 2025, the Company, through its subsidiary Matrix IT Systems Ltd., completed the acquisition of 70% of the share capital of Gav Systems Ltd. and Gav Expert Ltd. for a total of approximately NIS 45.5 million.

In addition, the sellers were paid a dividend for accrued earnings up until 31.12.23 in the amount of NIS 29 million. Pursuant to the agreement, the Company and the seller have a mutual option to sell and purchase the seller's remaining shares to the Company. Gav Systems provides outsourcing services, primarily in the form of computing and software personnel. Gav Systems' operating results are consolidated in the Company's financial statements (in the IT, Consulting, and Management Solutions in Israel segment) as of the beginning of the first quarter of 2025.

Transaction with non-controlling interests

In the first quarter, the Company entered into a mutual put/call options renewal agreement with non-controlling interests in a subsidiary for the sale and acquisition of the balance of the subsidiary's shares. The transaction was recorded against equity.

1.1.5. Condensed statements of consolidated profit for the three months ending March 31, 2025, and 2024 (in NIS Thousands)

	For the three months ended	For the three months ended	Change in %
	31.03.25	31.03.24	
Sales	1,546,200	1,453,713	*6.4%
Cost of sales and services	1,319,140	1,246,570	5.8%
Gross profit	227,060	207,143	9.6%
% of sales	14.7%	14.2%	
Selling and marketing expenses	54,841	51,048	7.4%
General and administrative expenses	46,228	45,417	1.8%
Operating profit	125,991	110,678	13.8%
% of sales	8.1%	7.6%	
Financing expenses, net	19,378	16,586	16.8%
Profit before taxes on income	106,613	94,092	13.3%
Taxes on income	26,030	22,670	14.8%
Net income	80,583	71,422	12.8%
% of sales	5.2%	4.9%	
Net earnings attributable to:			
Company shareholders	75,579	68,646	10.1%
Non-controlling interests	5,004	2,776	80.3%
Net income	80,583	71,422	12.8%
% of sales	5.2%	4.9%	6.1%
EBITDA⁴	175,589	157,484	11.5%
% of sales	11.4%	10.8%	

* Neutralizing the increased sales presented on a net basis, the growth in sales in during the quarter, came to 11.3%. See Section 1.2.2 below for additional explanations.

⁴ Earnings before interest, taxes, depreciation, and amortization

1.2. Analysis of results of operations

1.2.1. Seasonality

In the first quarter of 2025, the number of work hours was similar to that of the corresponding period last year. For details regarding the seasonality of the Company's activities, *see also*, Section 9 of the Report on the Corporation's Affairs in the periodic report.

1.2.2. Consolidated analysis of profit and loss

1) Sales

The Company's sales in the first quarter amounted to NIS 1,546.2 million, compared to NIS 1,453.7 million in the corresponding quarter last year, an increase of 6.4%. The rate of increase in sales during the quarter, neutralizing the effect of the increase in the volume of sales recorded on a net basis, came to approximately 11.3%. (See Section 5 below for details).

The increase in sales during the quarter compared to the corresponding period last year derived primarily from an increase in the scope of operations in the IT Solutions and Services, Consulting, and Management in Israel segment, and in the Cloud and Computing Infrastructures segment, offset in part by a decrease in sales in Information Technology Solutions and Services in the United States segment and in the Sales, Marketing and Support of Software Products segment.

The increase in the volume of sales was positively affected by the first time consolidation of the operating results of companies acquired by the Company - Gav Systems (starting as of the first quarter 2025), Ortec (starting December 2024), and Alacer (starting as of the fourth quarter 2024). Net of the effect of the consolidation of these companies for the first time, the Company recorded organic growth in sales of 1.7%. (Organic growth neutralizing the effect of the increase in sales recorded on a net basis came to 6.6%.)

2) Gross profit

Gross profit in the quarter amounted to a record NIS 227 million (approximately 14.7% of sales), compared with NIS 207.1 million in the corresponding quarter last year (approximately 14.2% of sales), an increase of 9.6%.

The increase in gross profit and its share of total sales in the quarter derived mainly from an increase in the scope of the Company's operations as well as from operational efficiency processes carried out by the Company.

3) Selling, marketing, administrative, and general expenses

Selling, marketing, management, and general expenses in the quarter amounted to NIS 101 million (approximately 6.5% of sales), compared with NIS 96.4 million in the corresponding quarter last year (approximately 6.6% of sales). The increase in selling and marketing expenses derived from an increase in the volume of activities (including in respect of subsidiaries consolidated for the first time during the period), while their percentage out of total sales decreased.

It should be noted that selling expenses include an amount of NIS 6.8 million (compared with NIS 5.5 million during the corresponding period last year) for amortization of intangible assets deriving from business combinations.

Administrative and general expenses include an amount of NIS 3 million (compared with NIS 4.5 million in the corresponding quarter last year) in expenses for share based payments to officers and senior executives.

4) Operating profit

Operating profit in the first quarter amounted to a record NIS 126 million (approximately 8.1% of sales), compared with NIS 110.7 million in the corresponding quarter last year (approximately 7.6% of sales), an increase of 13.8%.

The increase in operating profit in the first quarter compared to the corresponding quarter last year is attributed mainly to growth in profit in all segments, except for the decrease in the IT Solutions in the US segment.

Further to the details provided in the sales chapter above, neutralizing the effect of the consolidation for the first time of Ortec and Alacer, the Company recorded organic growth in operating profit at a rate of approximately 9.5%.

With regard to the impact of the increased rate of transactions whose sales are presented on a net basis out of all of the Company's income on the rate of its operating profit, see Section 5, below.

5) Key results of the Company neutralizing the impact of presenting income on a gross/net basis

During the first quarter, the trend from the previous quarters continued, with an increase in the rate of sales from operating transactions, which, according to IFRS, must be recognized on a net basis. This affects the Company's sales volume, sales growth rate, and profit margin. For convenience and to neutralize such external/accounting effects, an analysis of the Company's sales and operating profit excluding this impact is provided below, after neutralization of the impact of the presentation of sales on a gross/net basis:

	For the three months ended 31.03.25	For the three months ended 31.03.24	Change in %
Sales	1,546,200	1,453,713	6.4%
Adjustments for the increase in sales accounted for on a net basis	71,067	-	
Adjusted sales	1,617,267	1,453,713	11.3%
Operating profit	125,991	110,678	13.8%
% of sales	7.8%	7.6%	

6) Financing expenses/income (net)

Financing expenses (net) in the quarter amounted to NIS 19.4 million, compared with financing expenses (net) in the amount of NIS 16.6 million in the corresponding quarter last year, an increase of NIS 2.8 million.

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

	For the three months ended	For the three months ended	Change
	31.03.25	31.03.24	
Interest, commissions, and other (net)	6,443	7,640	(1,197)
Exchange rate differences	315	2,522	(2,207)
Accounting finance expenses*	12,620	6,424	6,196
Total financing expenses (net)	19,378	16,586	2,792

* Primarily including financing expenses in respect of leases, adjustments for put options for non-controlling interests in subsidiaries, and changes in the fair value of financial assets presented at equity.

As described above, the increase in financing expenses in the first quarter compared to the corresponding quarter last year is due entirely to an increase in accounting financing expenses (deriving primarily from the effect of the increase in profits of subsidiaries from the revaluation of existing put options to minority shareholders in these subsidiaries, and a decrease in the value of the Company's holding in a financial asset presented at equity). The increase in accounting financing expenses, as indicated, was offset in part by a decrease in exchange difference expenses and a decrease in interest expenses on the Company's financial liabilities (net of financing income from investments and deposits) during the quarter compared to the corresponding quarter last year.

7) Taxes on income

Tax expenses in the quarter amounted to NIS 26 million (approximately 24.4% of profits before tax) compared to NIS 22.7 million in the corresponding quarter of the previous year (approximately 24.1% of profits before tax).

The increase in tax expenses is due to an increase in profit. The slight increase in the Company's effective tax rate in the first quarter compared with the corresponding quarter last year is mainly due to an increase in the amount of costs that are non-tax deductible (such as the revaluation of put options for minority shareholders in subsidiaries).

8) Net income

Net income in the first quarter amounted to a record NIS 80.6 million (approximately 5.2% of sales), compared with NIS 71.4 million in the corresponding quarter last year (approximately 4.9% of sales), an increase of 12.8%.

9) Net income attributable to Company shareholders

Net income attributable to shareholders in the first quarter amounted to a record NIS 75.6 million (approximately 4.9% of sales), compared with NIS 68.6 million in the corresponding quarter last year (approximately 4.7% of sales), an increase of 10.1%.

10) Comprehensive earnings (in NIS thousands)

	For the three months ended 31.03.25	For the three months ended 31.03.24
Net income	80,583	71,422
Other comprehensive income (net of tax effects)		
Actuarial gain (loss) from remeasurement of defined benefit plans	1,335	790
Change in fair value of instruments used in cash flow hedging	(279)	77
Adjustments for translation of financial statements	6,540	4,829
Total comprehensive income	88,179	77,118

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

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

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

	For the three months ended 31.03.25	For the three months ended 31.03.24	Change in %
Operating profit	125,991	110,678	13.8%
Depreciation and amortization	49,598	46,806	6%
EBITDA	175,589	157,484	11.5%
% of total sales	11.4%	10.8%	
Net of depreciation expenses - IFRS 16 ⁵	34,176	32,675	4.6%
EBITDA net of IFRS 16	141,413	124,809	13.3%
% of total sales	9.1%	8.6%	

⁵ Pursuant to the IFRS16 International Financial Reporting Standard - Leases, depreciation and lease financing expenses must be recognized, in lieu of rental payments.

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

	For the three months ended 31.03.25	For the three months ended 31.03.24
Diluted net income per share attributable to Company shareholders	1.19	1.09

1.2.3. Condensed results of consolidated profit and loss according to segmental activity for the three months ending March 31, 2025, and 2024⁶ (in NIS Thousands)

	For the three months ended 31.03.25	For the three months ended 31.03.24	Change in %
Sales according to operating segment			
Information Technology Solutions and Services, Consulting and Management in Israel ⁽¹⁾	929,531	839,729	10.7%
Information Technology Solutions and Services in the United States ⁽²⁾	108,839	118,690	(8.3%)
Sales, Marketing and Support of Software Products	88,504	97,351	(9.1%)
Cloud and Computing Infrastructures	460,548	437,782	5.2%
Inter-segmental adjustments	(41,222)	(39,839)	
Total sales	1,546,200	1,453,713	6.4%
Operating profit			
Information Technology Solutions and Services, Consulting and Management in Israel ⁽¹⁾	70,139	63,327	10.8%
Information Technology Solutions and Services in the United States ⁽²⁾	15,105	16,969	(11%)
Sales, Marketing and Support of Software Products	8,460	7,359	15%
Cloud and Computing Infrastructures	35,812	27,630	29.6%
Inter-segmental adjustments	(3,525)	(4,607)	
Operating profit	125,991	110,678	13.8%

(1) Including immaterial operations in Europe

(2) Including immaterial operations in Canada

⁶ As of the 2024 financial statements, the Company presents the training and implementation activity, which was presented in the past as a separate operating segment, as part of the IT, Consulting, and Management Solutions in Israel segment. For full disclosure, the comparative figures will be presented at the end of this section, along with details of the operating results of the above operating segments, before presenting them as one segment.

	For the three months ended 31.03.25	For the three months ended 31.03.24
	%	%
Operating profit margin		
Information Technology Solutions and Services, Consulting and Management in Israel ⁽¹⁾	7.5%	7.5%
Information Technology Solutions and Services in the United States ⁽²⁾	13.9%	14.3%
Sales, Marketing and Support of Software Products	9.6%	7.6%
Cloud and Computing Infrastructures	7.8%	6.3%
Operating profit percentages	8.1%	7.6%

	For the three months ended 31.03.25	For the three months ended 31.03.24
	%	%
Sales according to operating segment:		
Information Technology Solutions and Services, Consulting and Management in Israel ⁽¹⁾	58.5%	56.3%
Information Technology Solutions and Services in the United States ⁽²⁾	6.9%	7.9%
Sales, Marketing and Support of Software Products	5.6%	6.5%
Cloud and Computing Infrastructures	29%	29.3%
Total sales in percentages	100%	100%

	For the three months ended 31.03.25	For the three months ended 31.03.24
	%	%
Contribution to operating profit according to operating segments		
Information Technology Solutions and Services, Consulting and Management in Israel ⁽¹⁾	54.1%	54.9%
Information Technology Solutions and Services in the United States ⁽²⁾	11.7%	14.7%
Sales, Marketing and Support of Software Products	6.5%	6.4%
Cloud and Computing Infrastructures	27.7%	24%
Total contribution in percentages	100%	100%

⁽¹⁾ Including immaterial operations in Europe

⁽²⁾ Including immaterial operations in Canada

	For the three months ended 31.03.25	For the three months ended 31.03.24	Change in %
Geographic information			
Sales			
Sales from customers in Israel	1,453,076	1,353,612	7.3%
Sales from customers in the United States	108,839	118,690	(8.3%)
Sales from customers in Europe	25,507	21,250	20%
Inter-segmental adjustments	(41,222)	(39,839)	
Total sales	1,546,200	1,453,713	6.4%
Operating profit			
Operating profit from customers in Israel	112,385	96,507	16.5%
Operating profit from customers in the United States	15,105	16,969	(11%)
Operating profit from customers in Europe	2,026	1,809	12%
Inter-segmental adjustment	(3,525)	(4,607)	
Total operating profit	125,991	110,678	13.8%
		For the three months ended 31.03.25	For the three months ended 31.03.24
		%	%
Geographical revenue rate			
Sales from customers in Israel		91.5%	90.7%
Sales from customers in the United States		6.9%	7.9%
Sales from customers in Europe		1.6%	1.4%
Total sales in percentages		100%	100%
Geographical operating profit margin			
Operating profit margin in Israel		7.7%	7.1%
Operating profit margin in United States		13.9%	14.3%
Operating profit margin in Europe		7.9%	8.5%
Operating profit percentages		8.1%	7.6%
Rate of geographical contribution to operating profit			
Operating profit in Israel		86.7%	83.7%
Operating profit in United States		11.7%	14.7%
Operating profit in Europe		1.6%	1.6%
		100%	100%

1.2.4. Analysis of results of operations according to operating segment

Information Technology Solutions and Services, Consulting and Management in Israel

Sales

Sales of the IT Solutions and Services, Consulting, and Management in Israel segment during the quarter amounted to NIS 929.5 million, compared to NIS 839.7 million in the corresponding quarter last year, an increase of approximately 10.7%.

Operating profit

The operating profit in this segment in the first quarter amounted to NIS 70.1 million (approximately 7.5% of segmental sales), compared with NIS 63.3 million in the corresponding quarter last year (approximately 7.5% of segmental sales), an increase of 10.8%.

The increase in sales and in operating profit in the first quarter, compared to the corresponding quarter last year, derives from the growth in the scope of operations and profit in the segment's areas of activity, with an emphasis on data, cyber, and digital operations, core systems, the engineering arm, the security segment, and the financial sector, as well as the first-time consolidation of the results of Gav Systems (as of the Q1 2025).

IT Solutions and Services in the US

Sales

Sales of the IT Solutions and Services in the US segment during the quarter amounted to NIS 108.8 million, compared to NIS 118.7 million in the corresponding quarter last year, a decrease of approximately 8.3% (in dollar terms - a decrease of approximately 7%).

Operating profit

The operating profit in this segment in the first quarter amounted to NIS 15.1 million (approximately 13.9% of segmental sales), compared with NIS 17 million in the corresponding quarter last year (approximately 14.3% of segmental sales), a decrease of 11% (in dollar terms - a decrease of approximately 9.1%).

The decrease in sales and operating profit in this segment compared to the corresponding quarter last year, derives from the completion of several GRC projects last year. The Company estimates that new engagements that have already commenced with new customers in this area of activity will be reflected in increased sales and profits as early as in the coming quarters.

The segmental results in the quarter were positively affected by the gradual influx of these new projects and an increase in the volume of new orders, as well as by the consolidation of Alacer's results (in a non-significant amount).

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

	For the three months ended 31.03.25	For the three months ended 31.03.24	% change
Sales	30.1	32.4	(7%)
Operating profit	4.2	4.6	(9.1%)
Profit margin (%)	13.9%	14.3%	

Sales, Marketing and Support of Software Products

Sales

Sales of the “Sales, Marketing and Support of Software Products” segment during the quarter amounted to NIS 88.5 million, compared to NIS 97.4 million in the corresponding quarter last year, a decrease of approximately 9.1%.

Operating profit

The operating profit in this segment in the first quarter amounted to NIS 8.5 million (approximately 9.6% of segmental sales), compared with NIS 7.4 million in the corresponding quarter last year (approximately 7.6% of segmental sales), an increase of 15%.

The decrease in revenues alongside the increase in the segmental operating profit margin are due to a decrease in the volume of segmental activities alongside changes in the blend of transactions compared to the corresponding quarter last year.

Cloud and Computing Infrastructures

Sales

Sales in the Cloud and Computing Infrastructures segment during the quarter amounted to NIS 460.5 million, compared to NIS 437.8 million in the corresponding quarter last year, an increase of approximately 5.2%.

Operating profit

The operating profit in this segment in the first quarter amounted to NIS 35.8 million (approximately 7.8% of segmental sales), compared with NIS 27.6 million in the corresponding quarter last year (approximately 6.3% of segmental sales), an increase of 29.6%.

The increase in sales and operating profit during the quarter, compared to the corresponding quarter last year is due to an increase in the volume of activity in the segment, with an emphasis on sales, marketing, and integration of computer systems, and marketing, installation, and support of advanced technology solutions (RDT and Ortec, while Ortec was consolidated for the first time in December 2024). The increase in the operating profit margin as a percentage of total sales is partly due to the continued rise in the proportion of cloud transactions of the EDP type, whose sales are presented on a net basis, as detailed above, and from the blend of transactions in the segment (higher profit transactions compared to corresponding periods).

Key segmental results neutralizing the presentation of income on a gross/net basis

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

	For the three months ended 31.03.25	For the three months ended 31.03.24	Change in %
Sales	460,548	437,782	5.2%
Adjustments for the increase in sales accounted for on a net basis	20,715	-	
Adjusted sales	481,263	437,782	9.9%
Operating profit	35,812	27,630	29.6%
% of sales	7.4%	6.3%	

1.2.5. Commitments and special events

Dividend distribution

Date of distribution	Amount of dividend per share (agorot)	Amount of dividend (in NIS millions)
08.04.2025	82	52.2

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

Confirmation of issuer rating

On March 24, 2025, Midroog confirmed an Aa3 issuer and debenture rating with a stable outlook and an Aa3 rating with a stable outlook for the Company's (Series B) Debentures and a rating of P-1.il for non-marketable commercial securities (NAAM).

1.3. Financial position, liquidity, and financing sources

Analysis of the financial position as of March 31, 2025

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

	31.03.2025	31.12.2024	Change
Cash and cash equivalents	599,973	668,495	(68,522)
Short-term credit	(507,072)	(470,006)	(37,066)
Long-term credit	(341,553)	(315,098)	(26,455)
Net debt – short-term and long-term credit, net of cash and cash equivalents	(248,652)	(116,609)	(132,043)
Total balance sheet	4,629,986	4,479,636	150,350
Net debt to balance sheet ratio	5.4%	2.6%	
Current ratio	1.1	1.1	
Balance of retained earnings	733,387	708,634	24,753
Total equity attributable to shareholders	1,108,636	1,088,733	19,903
Ratio of shareholder equity to balance sheet	23.9%	24.3%	

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

	31.03.2025	31.12.2024	Change
Assets:			
Cash and cash equivalents	599,973	668,495	(68,522)
Trade receivables and unbilled receivables, net	2,015,824	1,926,190	89,634
Inventory	89,317	101,861	(12,544)
Goodwill	1,015,346	955,988	59,358
Intangible assets, net	104,737	89,893	14,844
Right-of-use assets	358,600	369,935	(11,335)
All others (property, plant, and equipment, deferred taxes, etc.)	446,189	367,274	78,915
Total assets	4,629,986	4,479,636	150,350
Liabilities:			
Credit from banks and other credit providers	847,677	785,079	62,598
Trade payables	888,341	926,753	(38,412)
Deferred revenues	478,008	427,786	50,222
Leasing liabilities	368,070	372,809	(4,739)
Liabilities for options to holders of non-controlling interests and contingent liabilities for business combinations	168,566	125,687	42,879
All others	710,061	697,195	12,866
Total liabilities	3,460,723	3,335,309	125,414

The increase in the assets sections is due mainly to an increase in the net trade receivables and other receivables, mostly as a result of the first time consolidation of Gav Systems and an increase in goodwill (also as a result of the acquisition of Gav Systems). The said increase was partially offset by a decrease in the total cash and cash equivalents – mainly due to the acquisition of Gav and a decrease in inventory.

The increase in total liabilities is mainly due to an increase in the volume of credit from financial institutions and other credit providers, an increase in deferred revenues (primarily advance payments from customers in long-term transactions), and an increase in the liability from the acquisition of subsidiaries including for put options to non-controlling interests, offset in part by a decrease in trade payables.

Condensed statements of cash flow (in NIS thousands)

	For the three months ended 31.03.2025	For the three months ended 31.03.2024
Cash flows from operating activities		
Net income	80,583	71,422
Adjustments to profit and loss items	96,575	82,617
Changes in assets and liabilities items	(135,916)	(107,289)
Cash paid and received for interest and taxes, net	(26,569)	(48,573)
Net cash provided by (used for) operating activities	14,673	(1,823)
Cash flow from investment activities		
Acquisition of property, plant, and equipment	(9,978)	(9,584)
Acquisition of a subsidiary	(65,362)	-
Proceeds from sale of property, plant, and equipment	967	977
Net cash used in investment activities	(74,373)	(8,607)
Cash flows for financing activities		
Receipt (repayment) of credit, net	(21,647)	(3,982)
Receipt in respect of a long-term loan	120,000	-
Distribution of a dividend	(48,277)	-
Payment of leasing liabilities	(27,339)	(31,512)
Distribution of a dividend to non-controlling interests	(543)	(2,096)
Repayment of debentures	(33,959)	(33,959)
Repayment of liabilities in respect of business combinations	(1,732)	-
Acquisition of non-controlling interests	-	(499)
Net cash used in financing activities	(13,497)	(72,048)

Cash flows from operating activities

In the first quarter of 2025, the Company recorded a positive cash flow from operating activities amounting to NIS 14.7 million compared with a negative cash flow during the corresponding period last year from operating activities amounting to NIS 1.8 million.

Cash flows used in investment activities

Cash flows used in investing activities in the first quarter amounted to NIS 74.4 million, compared to a cash flow of NIS 8.6 million in the corresponding quarter. Most of the difference is attributable to NIS 65.4 million paid in the quarter in respect of the acquisition of Gav Systems.

Cash flows used in financing activities

Cash flows used in financing activities in the quarter amounted to NIS 13.5 million, compared to NIS 72 million in the corresponding quarter last year. Most of the difference derived from loans taken from banks in the amount of NIS 120 million, which was partially offset by the distribution of dividend in the quarter.

Average short-term credit (in NIS thousands)*

	31.03.2025	31.03.2024
Trade receivables	1,838,677	1,679,559
Trade payables	771,761	670,671

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

The Company finances its activities (including the difference between the average credit to customers and the average credit to suppliers) from the cash flow from operating activities, shareholders' equity and taking credit from financial institutions and debentures.

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

As of March 31, 2025, in the Company's standalone statements, there is a shortfall in working capital. In view of this, the Company's Board of Directors has reviewed the Company's financial indicators, its compliance with applicable financial standards, and the Company's existing and expected cash sources and needs. In the assessment of the Company's Board of Directors, the equity shortfall in the standalone statement does not indicate a liquidity problem. In light of the above, the Company is not required to publish a statement of cash flow forecast.

Summary statements of changes in equity (in NIS thousands)

	31.03.2025	31.03.2024
Opening balance	1,144,327	1,107,472
Net income	80,583	71,422
Dividend declared	(52,161)	(80,673)
Dividend to non-controlling interests	-	(2,096)
Translation differences	6,261	4,906
Share based payment	3,021	4,488
Transactions with non-controlling interests	*(14,103)	(22,899)
Actuarial earnings in respect of a benefit plan	1,335	790
Closing balance	1,169,263	1,083,410

* In the first quarter, the Company entered into a mutual put/call options renewal agreement with non-controlling interests in a subsidiary for the sale and acquisition of the balance of the subsidiary's shares. The transaction was recorded against equity.

2. Disclosure provisions in connection with the corporation's financial reporting

2.1. Goodwill

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

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

May 12, 2025

Guy Bernstein
Chair of the Board of Directors

Moti Gutman
CEO

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

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

Disclosure item	Details regarding the Series B Debentures ⁽²⁾
Date of issue	Initial issue on September 18, 2022; Series expanded on December 4
Total par value on the date of issue ⁽¹⁾	295,249 upon initial issue and 180,366 upon expansion of the series
Par value balance as of March 31, 2025	
Par value balance on the reporting date, revalued according to linkage terms	The series is not linked
Value in the financial statements as at March 31, 2025 (amortized cost according to the effective interest method)	338,944
Accrued interest as of March 31, 2025	2,333
Exchange value as of March 31, 2025	335,396
Type of interest	Fixed interest at a rate of 4.1% per annum. It should be noted that the trust deed in respect of the Series B Debenture attached to the offer report (the “trust deed”) provided mechanisms for adjustment of a change in the annual interest in respect of the Series B Debenture, in the event of non-compliance with the financial covenants or if there is a decrease in the rating of the Series B Debenture. Pursuant to said adjustment mechanisms (cumulatively), the overall rate of interest increments will not exceed 1%. For details, see Sections 5.8 and 5.9 of the trust deed.
Principal payment dates	The principal of the Series B Debentures shall be due for repayment in fourteen (14) six-monthly installments, made up of thirteen equal payments - each payment is 7.14% of the principal and the last payment being 7.18%, commencing August 1, 2023, through February 1, 2030.
Interest payment dates	The interest in respect of the Series B Debenture shall be paid in six monthly installments, to be paid on February 1 and August 1, commencing February 1, 2023, through February 1, 2030.
Principal and interest linkage basis	The Series B Debenture are unlinked (principal and interest) to any linkage base.
Is there a right of conversion?	No
Early repayment or forced conversion of debentures	The Company shall be entitled to initiate the early repayment of the Series B Debentures, all in accordance with the provisions of Section 6.2 of the trust deed.

Disclosure item	Details regarding the Series B Debentures ⁽²⁾
Guarantee for payment of the Company's obligations pursuant to the trust deed	None
As of the report date, is the Company in compliance with all of the conditions and undertakings according to the trust deed?	Yes
As of the report date and during the reporting period, were the conditions met that constitute grounds for calling the debentures due immediately?	No
Is the Company required by the trustee to perform various actions, including calling meetings of debenture holders?	No
Details of guarantees/liens	None

2) Details regarding the trustee for the Series B Debentures

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

3) Details about the Series B Debentures' rating

Name of rating company as of the report date	Midroog Ltd. ("Midroog")
Rating at the date of issue:	Aa3 with a stable outlook
Rating on the report date	Unchanged For the up-to-date rating, see Immediate Report published by the Company on 24.03.2025 (ref. 2025-01-019742)

⁽¹⁾ On September 14, 2022, the Company published a shelf offering report (ref.: 2022-01-117502) (the "offer report") in which the Company issued in an initial public offering a total of NIS 295,249 thousand par value of Series B Company Debentures. 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 178,000 thousand.

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

4) Financial covenants – Series B Debentures

The table below sets forth the various covenants that the Company undertook with respect to debenture holders and the calculation of their results as of March 31, 2024, as follows:

Security	Balance of nominal value of the security in circulation as at March 31, 2025	Balance of nominal value of the security in circulation immediately prior to the report date	Financial covenant	Actual covenant as of March 31, 2025
Series B Debentures	339,779	339,779	Ratio of consolidated net financial debt (as defined in the trust deed) to total balance sheet must not exceed 45%	5.4%
Series B Debentures	339,779	339,779	Ratio of consolidated net financial debt (as defined in the trust deed) to adjusted EBITDA (as defined in the trust deed) shall not exceed 5	0.36
Series B Debentures	339,779	339,779	Shareholder equity (as defined in the trust deed) is minimal, must be no less than NIS 275,000 thousand	1,169,263

CHAPTER B

Interim Consolidated Financial Statements as of March 31, 2025 Unaudited

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



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To
The Shareholders of
Matrix IT Ltd.

Ladies and gentlemen,

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

Introduction

We have reviewed the accompanying interim financial information of Matrix IT Ltd. and its subsidiaries ("the Group"), that includes the condensed interim consolidated statement of financial position as at March 31, 2025 and 2024, and the related condensed interim consolidated statements of profit and loss and other comprehensive income, changes in equity, and cash flows for the three-month periods then ended. The Board of Directors and management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 "Interim Financial Reporting" and they are also responsible for the preparation of this interim financial information in accordance with Chapter D of Securities Regulations (Periodic and Immediate Reports) - 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

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

Tel Aviv, Israel
May 12, 2025

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

Consolidated Statements of Financial Position
(in NIS thousands)

	As of March 31, 2025 Unaudited	As of March 31, 2024 Unaudited	As of December 31, 2024 Audited
Current assets			
Cash and cash equivalents	599,973	560,833	668,495
Trade receivables and unbilled receivables, net	2,015,824	1,726,842	1,926,190
Income tax receivable	33,572	57,591	53,567
Other accounts receivable	189,392	124,609	122,273
Inventories	89,317	120,192	101,861
	2,928,078	2,590,067	2,872,386
Non-current assets			
Other investments and loans	14,512	16,800	17,146
Prepaid expenses	56,868	46,580	30,203
Right-of-use assets	358,600	227,599	369,935
Property, plant, and equipment	103,772	95,390	101,616
Goodwill	1,015,346	921,839	955,988
Intangible assets	104,737	92,950	89,893
Deferred taxes	48,073	*46,152	42,469
	1,701,908	1,447,310	1,607,250
	4,629,986	4,037,377	4,479,636

* Reclassification - The Company reclassified comparative figures to reflect offsetting between deferred tax assets and deferred tax liabilities for right-of-use assets and lease liabilities related to the same tax authority and the same taxable entity. (For details, see also Note 15d(1) to the 2024 consolidated financial statements.)

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

Consolidated Statements of Financial Position
(in NIS thousands)

	As of March 31, 2025 Unaudited	As of March 31, 2024 Unaudited	As of December 31 2024 Audited
Current liabilities			
Credit from banks and other credit providers	427,046	432,277	388,640
Current maturities of debentures	79,078	81,791	81,341
Current maturities of lease liabilities	113,996	107,351	115,574
Trade payables	888,341	653,865	926,753
Income tax payable	16,418	12,280	21,063
Other accounts payable	109,018	125,984	133,631
Employees and payroll accruals	546,521	458,587	510,995
Liabilities in respect of business combinations	8,852	3,771	10,244
Put options of non-controlling interests	88,825	85,388	82,308
Deferred revenues	381,586	347,395	382,119
	2,659,681	2,308,689	2,652,668
Non-current liabilities			
Loans from banks	81,687	75,358	19,671
Debentures	259,866	324,321	295,427
Deferred revenues	96,422	60,155	45,667
Put options of non-controlling interests	62,009	27,260	24,764
Lease liabilities	254,074	122,996	257,235
Deferred taxes	26,653	*26,614	23,871
Liabilities in respect of business combinations	8,880	-	8,371
Employee benefit liabilities	11,451	8,574	7,635
	801,042	645,278	682,641
Equity attributable to Company shareholders			
Share capital and capital reserves	375,249	374,609	380,099
Retained earnings	733,387	654,744	708,634
	1,108,636	1,029,353	1,088,733
Non-controlling interests	60,627	54,057	55,594
Total equity	1,169,263	1,083,410	1,144,327
	4,629,986	4,037,377	4,479,636

* Reclassification - The Company reclassified comparative figures to reflect offsetting between deferred tax assets and deferred tax liabilities for right-of-use assets and lease liabilities related to the same tax authority and the same taxable entity. (For details, see also Note 15d(1) to the 2024 consolidated financial statements.)

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

May 12, 2025

Date of approval of the
financial statements

Guy Bernstein
Chair of the
Board of
Directors

Moti Gutman
CEO

Nevo Brenner
CFO

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

	For the three months ended March 31, 2025 Unaudited	For the three months ended March 31, 2024 Unaudited	For the year ended December 31, 2024 Audited
Sales	1,546,200	1,453,713	5,579,538
Cost of sales and services	1,319,140	1,246,570	4,746,544
Gross profit	227,060	207,143	832,994
Selling and marketing expenses	54,841	51,048	196,231
General and administrative expenses	46,228	45,417	186,689
Operating profit	125,991	110,678	450,074
Financing expenses	25,298	21,490	86,956
Financing income	5,920	4,904	20,084
Income before taxes on income	106,613	94,092	383,202
Taxes on income	26,030	22,670	94,978
Net income	80,583	71,422	288,224
Other comprehensive income (net of tax effects)			
Amounts that will not be subsequently reclassified to profit or loss			
Gain from remeasurement of defined benefit plans	1,335	790	2,722
Amounts that will be, or that have been, reclassified to profit or loss if specific conditions are met			
Adjustments for translation of financial statements	6,540	4,829	(1,140)
Change in fair value of instruments used in cash flow hedging	(279)	77	(4)
Total comprehensive income	88,179	77,118	289,802
Net earnings attributable to:			
Company shareholders	75,579	68,646	272,422
Non-controlling interests	5,004	2,776	15,802
	80,583	71,422	288,224
Total comprehensive income attributable to:			
Company shareholders	83,146	74,046	273,804
Non-controlling interests	5,033	3,072	15,998
	88,179	77,118	289,802
Net earnings per share attributable to the Company's shareholders (in NIS)			
Basic net income	1.19	1.09	4.29
Diluted net income	1.19	1.09	4.29

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

Consolidated Statements of Changes in Equity

Unaudited (in NIS thousands)

	Share capital	Share premium	Treasury shares	Reserve for adjustments arising from translation of financial statements of foreign operations and cashflow hedge	Reserve for transactions between a corporation and a controlling shareholder	Reserve for share based payment and transactions with non-controlling interests	Retained earnings	Total attributable to Company's shareholders	Non-controlling interests	Total equity
Balance as of January 1, 2025 (audited)	68,255	309,447	(7,982)	(9,675)	10,186	9,868	708,634	1,088,733	55,594	1,144,327
Net income	-	-	-	-	-	-	75,579	75,579	5,004	80,583
Adjustments for translation of financial statements of foreign operations and cash flow hedge	-	-	-	6,232	-	-	-	6,232	29	6,261
Actuarial gain from remeasurement of defined benefit plans	-	-	-	-	-	-	1,335	1,335	-	1,335
Total other comprehensive income	-	-	-	6,232	-	-	1,335	7,567	29	7,596
Total comprehensive income	-	-	-	6,232	-	-	76,914	83,146	5,033	88,179
Exercise of employee options into shares	239	17,191	-	-	-	(17,430)	-	-	-	-
Dividend declared	-	-	-	-	-	-	(52,161)	(52,161)	-	(52,161)
Transactions with non-controlling interests	-	-	-	-	-	(14,103)	-	(14,103)	-	(14,103)
Share based payment	-	-	-	-	-	3,021	-	3,021	-	3,021
Balance as of March 31, 2025	68,494	326,638	(7,982)	(3,443)	10,186	(18,644)	733,387	1,108,636	60,627	1,169,263

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

Consolidated Statements of Changes in Equity

Unaudited (in NIS thousands)

	Share capital	Share premium	Treasury shares	Reserve for adjustments arising from translation of financial statements of foreign operations and cashflow hedge	Reserve for transactions between a corporation and a controlling shareholder	Reserve for share based payment and transactions with non-controlling interests	Retained earnings	Total attributable to Company's shareholders	Non-controlling interests	Total equity
Balance as of January 1, 2024 (audited)	68,255	309,447	(7,982)	(8,335)	10,186	11,035	665,981	1,048,587	58,885	1,107,472
Net income	-	-	-	-	-	-	68,646	68,646	2,776	71,422
Adjustments for translation of financial statements of foreign operations and cash flow hedge	-	-	-	4,610	-	-	-	4,610	296	4,906
Actuarial gain from remeasurement of defined benefit plans	-	-	-	-	-	-	790	790	-	790
Total other comprehensive income	-	-	-	4,610	-	-	790	5,400	296	5,696
Total comprehensive income	-	-	-	4,610	-	-	69,436	74,046	3,072	77,118
Dividend declared	-	-	-	-	-	-	(80,673)	(80,673)	-	(80,673)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(2,096)	(2,096)
Transactions with non-controlling interests	-	-	-	-	-	(17,095)	-	(17,095)	(5,804)	(22,899)
Share based payment	-	-	-	-	-	4,488	-	4,488	-	4,488
Balance as of March 31, 2024	68,255	309,447	(7,982)	(3,725)	10,186	(1,572)	654,744	1,029,353	54,057	1,083,410

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

Consolidated Statements of Changes in Equity

Adited (in NIS thousands)

	Share capital	Share premium	Treasury shares	Reserve for adjustments arising from translation of financial statements of foreign operations and cashflow hedge	Reserve for transactions between a corporation and a controlling shareholder	Reserve for share based payment and transactions with non-controlling interests	Retained earnings	Total attributable to Company's shareholders	Non-controlling interests	Total equity
Balance as of January 1, 2024	68,255	309,447	(7,982)	(8,335)	10,186	11,035	665,981	1,048,587	58,885	1,107,472
Net income	-	-	-	-	-	-	272,422	272,422	15,802	288,224
Adjustments for translation of financial statements of foreign operations and cash flow hedge	-	-	-	(1,340)	-	-	-	(1,340)	196	(1,144)
Actuarial gain from remeasurement of defined benefit plans	-	-	-	-	-	-	2,722	2,722	-	2,722
Total other comprehensive income	-	-	-	(1,340)	-	-	2,722	1,382	196	1,578
Total comprehensive income	-	-	-	(1,340)	-	-	275,144	273,804	15,998	289,802
Non-controlling interests in a company that was consolidated for the first time	-	-	-	-	-	-	-	-	950	950
Dividend declared	-	-	-	-	-	-	(232,491)	(232,491)	-	(232,491)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(13,133)	(13,133)
Transactions with non-controlling interests	-	-	-	-	-	(19,193)	-	(19,193)	(7,106)	(26,299)
Share based payment	-	-	-	-	-	18,026	-	18,026	-	18,026
Balance as of December 31, 2024	68,255	309,447	(7,982)	(9,675)	10,186	9,868	708,634	1,088,733	55,594	1,144,327

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

Consolidated Statements of Cash Flows
(in NIS thousands)

	For the three months ended March 31, 2025 Unaudited	For the three months ended March 31, 2024 Unaudited	For the year ended December 31, 2024 Audited
Cash flows from operating activities			
Net income	80,583	71,422	288,224
Adjustments required to reconcile net income to net cash (used in) provided by operating activities:			
Adjustments to profit and loss items			
Depreciation and amortization	49,598	46,806	186,811
Taxes on income	26,030	22,670	94,978
Change in liabilities for employee benefits	3,136	495	1,553
Other financing expenses, net	9,683	6,206	27,619
Revaluation of long-term bank loans	804	(108)	(392)
Revaluation of liabilities in respect of business combinations	849	-	(1,741)
Capital gain from disposal of property, plant, and equipment	(503)	(52)	(301)
Share based payment	3,021	4,488	18,026
Appreciation of liabilities for put options for non-controlling interests	3,957	2,112	15,321
	96,575	82,617	341,874
Changes in assets and liabilities items			
Decrease (increase) in trade receivables	(6,259)	(47,673)	(245,505)
Decrease (increase) in other receivables and prepaid expenses	(93,378)	(36,315)	(15,712)
Decrease (increase) in inventories	13,945	25,897	44,413
Increase (decrease) in trade payables	(74,361)	(131,715)	140,568
Increase (decrease) in employees and institutions, liabilities, deferred revenues, and other accounts payable	24,137	82,517	188,813
	(135,916)	(107,289)	112,577
Cash paid and received over the course of the period for			
Interest paid	(18,507)	(17,281)	(49,375)
Interest received	5,920	4,904	20,084
Taxes paid	(29,778)	(43,799)	(124,758)
Taxes received	15,796	7,603	30,595
	(26,569)	(48,573)	(123,454)
Net cash provided by (used in) operating activities	14,673	(1,823)	619,221

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

Consolidated Statements of Cash Flows

(in NIS thousands)

	For the three months ended March 31, 2025 Unaudited	For the three months ended March 31, 2024 Unaudited	For the year ended December 31, 2024 Audited
Cash flows from investment activities			
Proceeds from sale of property, plant, and equipment	967	977	1,936
Acquisition of property, plant, and equipment	(9,978)	(9,584)	(41,541)
Acquisition of initially consolidated subsidiaries (a)	(65,362)	-	(17,321)
Net cash used in investment activities	(74,373)	(8,607)	(56,926)
Cash flows from financing activities			
Short-term credit from banks and other credit providers, net	11,021	40,640	(24,019)
Receipt of long term loans	120,000	-	-
Receipt from the issuing of non-commercial securities (NAAM)	-	-	100,000
Repayment of long-term loans from banks and other credit providers	(32,668)	(44,622)	(179,003)
Dividend distribution	(48,277)	-	(184,214)
Repayment of liabilities in respect of business combinations	(1,732)	-	(11,561)
Repayment of lease liabilities	(27,339)	(31,512)	(129,435)
Dividend distribution to non-controlling interests	(543)	(2,096)	(30,271)
Repayment of liabilities for put options to non-controlling interests	-	-	(1,124)
Acquisition of non-controlling interests	-	(499)	(3,899)
Repayment of debentures	(33,959)	(33,959)	(67,918)
Net cash used in financing activities	(13,497)	(72,048)	(531,444)
Translation differences for cash and cash-equivalent balances	4,675	3,103	(2,564)
Increase (decrease) in cash and cash equivalents	(68,522)	(79,375)	28,287
Balance of cash and cash equivalents at beginning of the period	668,495	640,208	640,208
Balance of cash and cash equivalents at end of the period	599,973	560,833	668,495

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

Consolidated Statements of Cash Flows

(in NIS thousands)

	For the three months ended March 31, 2025 Unaudited	For the three months ended March 31, 2024 Unaudited	For the year ended December 31 2024 Audited
(a) Acquisition of initially consolidated subsidiaries			
The subsidiaries' assets and liabilities at date of acquisition:			
Working capital (other than cash and cash equivalents)	(11,991)	-	663
Property, plant, and equipment, net	(1,322)	-	(270)
Income tax receivable	(3,255)	-	-
Deferred tax	(3,289)	-	(155)
Inventories	(1,401)	-	(185)
Goodwill	(55,537)	-	(36,038)
Intangible assets, net	(21,666)	-	(13,656)
Employee benefit liabilities	2,414	-	-
Deferred taxes provision	4,983	-	3,224
Put options of non-controlling interests	25,702	-	-
Non-controlling interests	-	-	950
Liabilities in respect of business combinations	-	-	28,146
	(65,362)	-	(17,321)
(b) Significant non-cash transactions			
Distribution of dividend declared and not yet paid	52,161	80,673	48,277
Right-of-use asset recognized with corresponding lease liability	22,827	46,376	286,695
Issuing of call options to non-controlling interests	14,103	-	22,400

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

Notes to the Interim Consolidated Financial Statements

NOTE 1 GENERAL

- A. Matrix IT Ltd. (the “Company”) was incorporated in Israel on September 12, 1989, and started its business operations on that day. The Company provides advanced IT services.
- B. These financial statements have been prepared in condensed format as of March 31, 2025, and for the three months then ended (the “Consolidated Interim Financial Statements”). The condensed consolidated financial statements of the Group as of March 31, 2025 include those of the Company and its subsidiaries (the “Group”) and the Group’s interests in associates and joint arrangements. The financial statements should be read in the context of the Company’s annual financial statements as of December 31, 2024, and for the year then ended and their accompanying notes (the “Consolidated Annual Financial Statements”).
- C. The Company is a direct subsidiary of Formula Systems (1985) Ltd. (“Formula Systems”), which is controlled by Asseco Poland SA.
- D. The Company’s shares are listed on the Tel Aviv Stock Exchange.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

A. Preparation format of the Consolidated Interim Financial Statements

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

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

	As of 31.03.25	As of 31.03.24	As of 31.12.24
Consumer price index (2020 basis)			
In Israel (actual CPI)	116.01	112.25	114.8
In Israel (known CPI)	115.44	111.6	115.11
NIS exchange rate			
USD	3.718	3.681	3.65
EUR	4.022	3.979	3.80

Notes to the Interim Consolidated Financial Statements

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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

	For the three months ended 31.03.25 - percentages	For the three months ended 31.03.24 - percentages	For the year ended 31.12.24 percentages
Consumer price index (2020 basis)			
In Israel (actual CPI)	1.05%	0.94%	3.24%
In Israel (known CPI)	0.28%	0.27%	3.43%
NIS exchange rate			
USD	1.95%	1.49%	0.55%
EUR	5.84%	(0.81%)	(5.36%)

NOTE 3 SEGMENTS

A. General

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

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

Information Technology Solutions and Services, Consulting, and Management in Israel;
Information Technology Solutions and Services in the United States;
Cloud and Computing Infrastructures;
Sales, Marketing and Support of Software Products

As of the 2024 financial statements, the Company presents the training and implementation activity, which was presented in the past as a separate operating segment, and constituted approximately 3.4% and 2.9% of the Company's total sales and operating profit in 2023, as part of the IT, Consulting, and Management Solutions in Israel segment. This is due to changes in the economic environment and, accordingly, changes in the activity mix within the training and implementation segment, such that the economic characteristics, nature of services, and types of clients in the training and implementation segment are similar to those of the Information Technology Solutions and Services, Consulting, and Management segment in Israel.

The comparative figures were restated in order to reflect the change in the structure of the Company's operating segments.

The segment's results are measured based on operating profit, as reviewed by the CODM.

Notes to the Interim Consolidated Financial Statements

NOTE 3 SEGMENTS (CONT.)

A. General (cont.)

The following is a breakdown of the activities included in each of the operating segments:

Information Technology Solutions and Services, Consulting, and Management in Israel

This activity includes a wide range of technological and other solutions and services in the areas of enterprise core systems, Data and AI, cybersecurity, digital solutions, and more. As part of these solutions, the Company is engaged in the development of large-scale technological systems and the provision of related services; execution of IT and software integration projects; development of operational solutions and C⁴ISR systems for defense entities in Israel and abroad; outsourcing services and professional services by experts and consultants; offshore/nearshore services; BPO and call center services; software project management; software development; software and QA testing; enhancement and upgrading of existing technological systems; as well as the provision of training and implementation services. In addition, this activity includes management consulting and multidisciplinary engineering and operational consulting services, including supervision of complex engineering projects, particularly infrastructure projects in the transportation sector.

Information Technology Solutions and Services in the United States

This activity is carried out through two branches, Matrix US Holding and Xtivia, each of which owns several subsidiaries in the United States.

The activity includes the provision of solutions and expert services in the field of GRC – Government Risk & Compliance, fraud prevention, cyber risk, and anti-money laundering, as well as specialized advisory services in this field and specialized IT services for the healthcare sector.

This area of activity also includes the provision of specialized technological solutions and services in the fields of portals, BI, CRM, DBA, and EIM; dedicated solutions for the US Government Contracting market; distribution and marketing services for software products; and the provision of professional services and offshore solutions, including through employees at the Company's operational centers in India. The operations also include professional services and projects carried out by experts from across the Matrix Group, serving as a gateway to the business model of exporting the Company's services and products to the US market.

Marketing and Support of Software Products

This activity primarily includes the sale and distribution of software products (mainly from foreign software manufacturers) across various fields, such as control and monitoring products, cybersecurity, communication solutions, virtualization, knowledge management products, databases and Big Data, open-source systems, and IT management products. It also includes providing professional support services for these products, as well as implementation projects, training, support, and maintenance for integrated products and systems.

Notes to the Interim Consolidated Financial Statements

NOTE 3 SEGMENTS (CONT.)

A. General (cont.)

Cloud and Computing Infrastructures

The Company's activity in this area primarily includes providing a wide range of cloud solutions and services, including sales, service, and support for public cloud (PaaS, SaaS, IaaS) and private cloud at all implementation stages - consulting, architecture, development, deployment, environment management, and support - as well as advanced FinOps services (through the Company's specialized business unit, CloudZone). It also includes computing solutions for IT infrastructure, communication solutions, marketing and sales of hardware, software licenses, and peripheral equipment for business customers, along with related professional services. Additionally, the Company offers multimedia solutions and command-and-control centers for smart offices, office automation and printing solutions, sales and marketing of test and measurement equipment, communication, cybersecurity, and RF solutions, automation projects and integration, advanced calibration services, and industrial video and image processing solutions (through RDT Equipment and Systems and Asio Vision). Furthermore, the Company is engaged in the import, sales, and service of automated manufacturing machines for component assembly and automated testing machines for assembly processes and components in production lines across various industries, including industrial, medical, military, laser, and sensor applications for civilian and defense purposes, as well as optical communication systems and automotive radar systems.

Notes to the Interim Consolidated Financial Statements

NOTE 3 SEGMENTS (CONT.)

For the three months ended March 31, 2025 - unaudited (in NIS thousands)

B. Composition

	IT Solutions and Services, Consulting, and Management in Israel	Sales, Marketing and Support of Software Products	Cloud and Computing Infrastructures	IT Solutions and Services in the US	Adjustments	Total
Sales from non-related parties	905,956	77,321	454,243	108,680	-	1,546,200
Inter-segmental sales	23,575	11,183	6,305	159	(41,222)	-
Total sales	929,531	88,504	460,548	108,839	(41,222)	1,546,200
Segmental operating results	70,139	8,460	35,812	15,105	(3,525)	125,991
Financing expenses						(25,298)
Financing income						5,920
Taxes on income						(26,030)
Net income						80,583

Notes to the Interim Consolidated Financial Statements

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

	IT Solutions and Services, Consulting, and Management in Israel	Sales, Marketing and Support of Software Products	Cloud and Computing Infrastructures	IT Solutions and Services in the US	Adjustments	Total
Sales from non-related parties	816,532	91,637	428,293	117,251	-	1,453,713
Inter-segmental sales	23,197	5,714	9,489	1,439	(39,839)	-
Total sales	839,729	97,351	437,782	118,690	(39,839)	1,453,713
Segmental operating results	63,327	7,359	27,630	16,969	(4,607)	110,678
Financing expenses						(21,490)
Financing income						4,904
Taxes on income						(22,670)
Net income						71,422

Notes to the Interim Consolidated Financial Statements

NOTE 3 SEGMENTS (CONT.)

For the year ended December 31, 2024 - audited (in NIS thousands)

	IT Solutions and Services, Consulting, and Management in Israel	Sales, Marketing and Support of Software Products	Cloud and Computing Infrastructures	IT Solutions and Services in the US	Adjustments	Total
Sales from non-related parties	3,227,608	425,971	1,465,935	460,024	-	5,579,538
Inter-segmental sales	109,659	30,794	49,996	915	(191,364)	-
Total sales	3,337,267	456,765	1,515,931	460,939	(191,364)	5,579,538
Segmental operating results	250,113	45,364	106,405	66,865	(18,673)	450,074
Financing expenses						(86,956)
Financing income						20,084
Taxes on income						(94,978)
Net income						<u>288,224</u>
Additional information						
Cost of sales	2,893,978	374,515	1,357,891	311,524	(191,364)	4,746,544
Depreciation and amortization	148,210	6,640	26,997	4,964	-	186,811

Notes to the Interim Consolidated Financial Statements

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

Following the declaration of the dividend on March 10, 2025, the Company distributed on April 8, 2025, a dividend in the amount of NIS 52.2 million to its shareholders (reflecting NIS 0.82 for each NIS 1 par value ordinary shares).

2. Transaction with non-controlling interests

In the first quarter, the Company entered into a mutual put/call options renewal agreement with non-controlling interests in a subsidiary for the sale and acquisition of the balance of the subsidiary's shares. The transaction was recorded against equity.

3. Acquisition of Gav

On February 4, 2025, the Company, through its subsidiary Matrix IT Systems Ltd., completed the acquisition of 70% of the share capital of Gav Systems Ltd. and Gav Expert Ltd. for a total of approximately NIS 45.5 million. In addition, the sellers were paid a dividend for accrued earnings up until 31.12.23 in the amount of NIS 29 million. Pursuant to the agreement, the Company and the seller have a mutual option to sell and purchase the seller's remaining shares to the Company. The acquired company provides outsourcing services, primarily in the form of computing and software personnel.

As of the report date, the valuation underlying the allocation of the consideration to assets and liabilities (the PPA) has not yet been completed, and accordingly, this allocation is temporary according to management's assessment, and may be updated in the coming periods after the valuation is completed.

According to the temporary allocation, the excess of the acquisition consideration over the net identifiable assets acquired and liabilities assumed, in the amount of NIS 72.2 million, the sum of NIS 21.7 million will be allocated to intangible assets and the balance will be allocated to goodwill.

As indicated above, the Group recognized the fair value of the assets acquired and liabilities that were undertaken in the business combination according to a temporary measurement. Thus, the consideration for the acquisition as well as the fair value of the assets and liabilities acquired are subject to final adjustment up to 12 months from the acquisition date.