Unofficial Translation from Hebrew

Maytronics Ltd.

Board of Directors' Report on the State of the Company's Affairs For the Period Ended March 31, 2025

A. Explanations by the Board of Directors regarding the state of the Company's business affairs, operating results, equity and cash flows

1. Principal information from the description of the corporation's business

Maytronics Ltd. and its subsidiaries (the "**Company**") specialize in the development, manufacture, marketing, distribution, sale and technical support of equipment for swimming pools, including robotic cleaners for residential and public swimming pools, automatic swimming pool covers, and drowning detection systems. The Company's production operations are carried out mainly in Israel and Europe. Additionally, the Company has a retail operation for the sale of other supplementary products for swimming pools. The Company's business is export-based, and 98% of the Company's revenues are generated from sales and services outside of Israel. The global distribution of the Company's products is mostly carried out by external distributors as well as by subsidiaries:

1. In the United States, distribution is carried out by the subsidiary Maytronics US, based in Atlanta, Georgia ("**MTUS**"), and by ECCXI ("**ECCXI**"), an MTUS subsidiary, as well as external distributors.

2. In France, by the subsidiary Maytronics France ("**MTFR**") and by external distributors.

3. In Australia, through the subsidiary Maytronics Australia ("**MTAU**"), and by **Focus**, an MTAU subsidiary that was acquired in October 2024.

4. In Germany, through the subsidiary Bünger & Frese ("**BF**") and by external distributors.

5. And in several European countries by ECCXI Europe ("**ECCXI Europe**"), which operates an eCommerce sales platform on the continent.

The Company is affected by seasonality, and 65% of its sales in 2024, and most of its profits, were generated in the first half of the year. This seasonality arises from the fact that most of the Company's sales are made in the Northern Hemisphere, where, in a "typical" pool season in terms of the weather, use of home pools begins around April-May-June (depending on the geographic location) and ends around September.

The Company's customers are distributors, store owners (dealers), and end users (pool owners) who buy directly online on eCommerce platforms where the Company sells its products. Distributors and store owners in Europe and North America generally stock up on most products from December/January to June/July, and generally sell most of the products from March/April/May until the season closes at summer's end, whereas end users make most of their purchases during the pool season, i.e., from the start of the season (as described above) through August.

However, robotic cleaners for private pools are manufactured continuously throughout the year (but not at a equal pace), with production in the second half primarily focused on inventory buildup for the upcoming season.

The Company is a global leader in its main operating segment, robotic cleaners for private pools, and according to its estimates, which are based on the summary of 2024, the Company is the market leader and holds the largest share of the robotic cleaners market (as defined in section 1.2 of Part A, Description of the Corporation's Business). However, the change in the nature of demand and competition has eroded its market share in the past year. The Company invests in the development and improvement of its products to retain its technological leadership and to penetrate new market segments.

2. Major events in and after the reporting period

2.1 The Company's position and market situation:

First-quarter sales in the pool industry are largely characterized by inventory build-up in the distribution channels in North America and Europe for the upcoming season, and seasonal sales in the Southern Hemisphere. The Company's revenues in the first quarter amounted to NIS 346.6 million, above the forecast range given on March 25, 2025 for revenues of NIS 320-335 million. Quarterly revenues reflect a 24% decrease compared to the corresponding period last year. This decrease reflects the challenges of the competitive environment, the impact of the change in the company's sales mix between quarters as a result of implementing the strategic pillar of transitioning to direct-to-consumer (DTC) sales. Additionally, the quarter's revenues were affected by the continuation of conservative pre-season stocking in North America and Europe, the consolidation of Focus which was acquired in November last year, and a number of operational challenges.

Summary of the first quarter in the major regions and comparison to the corresponding period last year:

North America sales declined by 42% compared to the corresponding period, decline reflecting more conservative credit risk management with some of the Company's customers in North America, operational challenges and the effects of the transition to direct sales to end consumers. The decline in the volume of business activity in the territory during the first quarter is in line with the company's expectations and does not reflect the future trend.

Europe sales declined by 11% compared to the corresponding period last year, and Oceania sales grew by 28%.

broken-down according to reportable segments, revenues from sales of robotic cleaners for private pools declined by 32%, revenues from sales of public pool robots rose by 3%, and sales of safety products and other related pool products rose by 10%.

Main focus in 2025 is on improving profits and profitability. Within this framework, the Company continued to promote the implementation of the strategic pillar of addressing the structure of production costs, optimization of procurement activities, efficiency enhancement in production, among other things through automation, and addressing the structure of the Company's direct and fixed costs. In 2024, reductions in the direct cost of robot production were achieved at a rate of 7%, and the Company determined a target for 2025 of a further reduction of 5%-6%.

During the first quarter a reduction of 2% of the annual target was achieved.

The successful implementation of these steps contributed positively 180 basis points to gross profitability.
Additionally, from the second quarter of 2024 through to the date of this report, the Company executed a cross-organizational process to align the structure and reduce the scope of OpEx. This initiative yielded a decrease in the operating expenses of approximately NIS 13 million in the first quarter of 2025 compared to the corresponding period last year. The scope of these efficiency measures exceeds the Company's plan and are part of the Company's plan to reduce operating expenses by NIS 40 million in 2025.
The Company expects that in the second quarter of 2025, its revenue will be within a range of NIS 530 million to NIS 600 million. Additionally, the Company reaffirms its 2025 full year guidance and expects , a reduction of NIS 12 million to NIS 15 million in investments compared to 2024, and a NIS 80-100 million decrease in the inventory balance compared to December 31, 2024. These improvements are expected to result in a free cash flow to net income ratio of at least 100%.

Expansion and diversification of the Group's product portfolio, among other things by focusing on M&A. In this context, at the end of October 2024, the subsidiary Maytronics Australia ("MTAU") entered into an agreement to acquire the entire ownership interest in Focus Products Group (hereinafter – "Focus"), an Australian company that is a leading provider of chemicals and software solutions for managing pool and spa retail operations in the Australian market, for a consideration of AUD 28 million, which includes a contingent consideration estimated at AUD 1.1 million (according to its fair value on the acquisition date). While the acquisition is immaterial to the suite of Maytronics' businesses, it is well aligned with the Group's global product infrastructure expansion strategy and with building a continuous, deeper connection with the value chain and pool owners. Furthermore, the expansion and diversification of the product range, particularly in the chemical category, strengthens MTAU and creates significant advantages in its distribution operations in the markets in which it is active..

This information is based on the information provided in sections 2.1.1, 2.1.2, 2.2.2 and 2.3.1 in the Description of the Corporation's Business for 2024 and in this report, on the current economic situation in the territories in which the Company operates, on the conduct of its customers and distributors in general and as a result of the economic situation, on the Company's experience in its traditional markets, on its intentions and plans in their respect, on its experience in the successful penetration of the Company's new products, and on the customer public's response and willingness to buy those new products. Furthermore, the Company's estimations regarding cost reduction and savings are based on its planned course of action at the present time and on its plans for the foreseeable future.

This information may not materialize or may materialize only in part should any of the Company's competitors launch a rival product in the pool cleaner segment with similar or superior capabilities and/or at a preferable price, should rivals from the Far East grow stronger (a point discussed by the Company in said sections), due to geopolitical changes and changes in the global and local economy, global climate change, the repercussions of the Swords of Iron War, difficulties in implementing the Company's optimization plan, and due to the other risk factors specified in section 3.19 in the Description of the Corporation's Business for 2024.

2.2 **Foreign currency effects compared to the corresponding period last year:** The Euro, which accounted for 39% of the Company's sales, weakened on average by 2.9% against the Shekel; the US Dollar, which accounted for 43% of the Company's sales, weakened on average by 0.3% against the Shekel; and the Australian Dollar, which accounted for 16% of the Company's sales, weakened on average by 5% against the Shekel.
The effect of changes in exchange rates on sales, gross profit and operating profit compared to the corresponding quarter last year amounted to a decline of NIS 7.4 million in quarterly sales, a decline of NIS 4 million in gross profit, and a decline of NIS 2.4 million in operating profit respectively.

2.3 **Change of Chairman of the Board of Directors:** On February 10, 2025, the incumbent Chairman of the Board, Mr. Ron Cohen, announced that he would like to end his position after the approval of the annual reports for 2024, on March 25, 2025. Further to the foregoing, on May 6, 2025, the General Meeting approved the appointment of Mr. Dov Ofer (his appointment having been recommended to the General Meeting by the Board of Directors and was appointed as a director of the Company on April 1, 2025), to the Chairman of the Board of Directors as Mr. Cohen' successor, as well as the terms of his remuneration. For further details, see Immediate Reports of March 26, 2025, April 30, 2025, and May 7, 2025 (References no. 2025-01-020611, 2025-01-030614 and 2025-01-031846), which are incorporated by reference.

2.4 On March 31, 2025, the Company's **order backlog** which is intended for sale in 2025, amounted to NIS 123 million, compared to a backlog of NIS 159.2 million on March 31, 2024, reflecting a decline of 22.7% in the backlog for the Company's products compared to last year.
The decline in the backlog reflects the continuation of a trend marked by a return to channel inventory build-up patterns based on more frequent, smaller orders, reflecting a just-in-time approach as part of tight working capital management among distributors and dealers in order to cope with high interest rates.

2.5 **Effects of the pandemic and the global supply chain crisis on the Company:** For information, see sections 1.6.4 and 1.6.5 in Part A, Description of the Corporation's Business for 2024**.**

2.6 **Effects of the Swords of Iron War on the Company's business:** For information, see section 1.6.6 in Part A, Description of the Corporation's Business for 2024.

2.7 **Transaction in the global pool market:** After the reporting date, on April 1, 2025, Fluidra S.A. (hereinafter – Fluidra) announced its intention to invest, in two phases in Aiper Inc (hereinafter – Aiper), initially in by purchasing 27% of the shares and later, subject to certain conditions, to increase its holdings to the point of acquiring control of it.
The acquisition is subject to the completion of acceptable commercial terms, including antitrust approvals, and Fluiddra has announced that it expects it to be completed in the second half of 2025.

As stated in the Company's periodic report for 2024, Fluidra and Aiper are among the five main companies that manufacture electronic cleaners for private pools. The Company has taken into account the possibility of such a business combination or another in the industry in which it operates in its risk factors and work scenarios. The Company does not anticipate an immediate impact on its business and is studying the overall possible implications of Fluidra's announcement.

For more information, see the Company's immediate report dated April 2, 2025 (reference no. 2025-01-024072), which is incorporated by reference.

The information regarding the expected immediate impact of Fluidra's investment in Aiper on the Company's business, constitutes **forward-looking information**, and as such is uncertain and may not materialize, in whole or in part, or may materialize differently than expected. This knowledge is based on Fluidra's announcement regarding the engagement and regarding the approvals required for the transaction and the expectation of its closure, and the Company's assessment of the benefits that will derive to Fluidra and Aiper from the transaction and their mutual impact on each other, and on the Company's status in the relevant markets as it can be assessed at this time. The estimates presented above may not materialize or may materialize differently insofar as the Company's assessment of the impact of the transaction on the combined position and capabilities of Fluidra and Aiper in the market turns out to be different from what is currently anticipated, and due to other risk factors as stated in section 3.19 in the Description of the Corporation's Business for 2024 (Reference no. 2025-01-020447), which is incorporated by reference.

2.8 U.S. Government Tariff Program

After the reporting date, on April 2, 2025, the US government published a tariff plan according to which a basic tariff of 10% will be imposed on imports of goods into the United States starting April 5, 2025, in addition to a higher tariff on most US trading partners, including Israel (which will bear tariffs of an additional 7%, for a total of 17%) and China (on which imports will be subject to a tariff of 145%). A week later, On April 9, 2025, it was announced that the U.S. government had decided to postpone the implementation of the imposition of tariffs on most countries by 90 days, except for imports from China. China, for its part, imposed tariffs on imports of goods from the United States at a rate of 124%. It was later learned that the United States was negotiating with countries whose imports had been subject to tariffs, and on May 12, 2025, the United States reached agreements with China, according to which both parties will reduce the mutual tariffs to 10% for a period of 3 months, while a separate tariff of 20% imposed by the United States on China will remain unchanged (a total of 30%). During the aforementioned freeze period, the parties will continue negotiations to reach a compromise that will stop the trade war between them

The Company understands that, with regard to the import of goods into the US from Israel, the base levy of 10% remains in effect in any case. and a 30% levy on imports of goods to the U.S. from China in addition to certain sectoral levies.

The Company is examining the effects of the aforementioned tariff program on its operations in the markets in which it operates, with an emphasis on the US market, which accounts for about 57% of the Company's revenues (as of 2024), and closely monitors the frequent developments on the subject.

It should be noted that the value of the Company's existing inventory of robots in the United States, as of the date of publication of the plan, is not directly affected by the tariff program, and the Company will examine how and whether it is possible to leverage the existing inventory of robots to maximize its business and improving its competitive positioning against its competitors, including its competitors from China. In addition, products that the Company imports directly from China to the U.S. may be affected by the tariff program, and the Company is examining the effects of the program on the course of its business.

For additional information on the Company's revenues by geographic location, see Note 29 of the Annual Financial Statements of 2024

3. <u>Financial position</u>

Following is a description of major developments occurring in the line items in the statement of financial position as of March 31, 2025, compared to the statement of financial position as of March 31, 2024 (in NIS thousands).

Item	March 31		December 31	Explanations by the Company – balances as of March 31, 2025 compared to March 31, 2024
	2025	2024	2024	
	NIS thousands			
Cash and cash equivalents and short-term investments	163,731	105,633	104,675	An increase in cash and cash equivalents due to holding foreign currency balances in short-term interest-bearing deposits to reduce balance sheet exposure to changes in exchange rates.
Trade accounts receivables	354,450	490,550	218,827	A decline of NIS 136.1 million (28%) in the trade receivables balance in light of revenue decline compared to the corresponding quarter last year and an improvement in average customer days in the first quarter.
Other receivables	124,388	105,211	100,115	An increase of NIS 19.2 million, mainly due to an increase in prepaid expenses in MTUS.
Inventory	828,372	972,456	837,796	A decline of NIS 144 million (15%) in the balance of inventory as a result of the following: 1. Finished goods, raw material and work in process inventory in the robot category: the Company's steps taken to adjust the volume of this inventory led to a decline of NIS 134 million (17%). 2. The inventory level related to the safety and other related pool products segment, decreased by NIS 10 million (5%), of which NIS 22 million are attributed to the management and reduction of inventory balances in ECCXI and MTFR, and on the other hand, an increase of NIS 12 million in MTAU, mainly as a result of the first-time consolidation of Focus. The Company continues to work to adjust the volume of inventory to the volume of demand and its production capacity, and is applying measures to further lower inventory volumes.
Total current assets	**1,470,941**	**1,673,850**	**1,261,413**	

Item	March 31		December 31	Explanations by the Company – balances as of March 31, 2025 compared to March 31, 2024
	2025	2024	2024	
	NIS thousands			
Long-term debit balances	1,927	1,339	1,840	No material change.
Fixed assets	233,797	233,298	237,676	No material change.
Right-of-use assets	187,502	145,142	173,111	The increase in ROU assets is due to an addition to the Company's lease agreements, which mainly include buildings and vehicles, against the recording of a liability.
Intangible assets	374,289	324,813	366,477	Intangible assets increased, mainly as a result of the recognition of intangible assets at an amount of NIS 52 million following the business combination arising from the acquisition of Focus by MTAU, as well as additional development costs that were capitalized between the periods, less amortization and less depreciation recognized by the Company in the forth quarter of 2024.
Deferred taxes	51,093	33,402	46,446	The tax asset is the result of timing differences in the Company and of cumulative losses for tax purposes in the French subsidiary, use of which is expected to be permitted in the future against taxable income. Also, an increase in the US tax asset in light of the acquisition of the minority share in ECCXI.
Total non-current assets	**848,608**	**737,994**	**825,550**	
Total assets	**2,319,549**	**2,411,844**	**2,086,963**	

Item	March 31		December 31	Explanations by the Company – balances as of March 31, 2025 compared to March 31, 2024
	2025	2024	2024	
	NIS thousands			
Bank credit	733,386	688,499	609,206	Short-term credit increase by NIS 44.9 million; short-term credit mainly serves to finance the Group's working capital requirements.
Trade payables	135,375	289,801	76,905	Trade payables declined by NIS 154.4 million, mainly in light of lower procurement volumes and the timing of procurement during the quarters.
Other accounts payable	163,695	153,602	149,245	Other accounts payable increase by NIS 10.1 million, largely due to an increase in the accrued expenses and the lability to purchasing organizations, countered by a decline in employees and institutions liabilities.
Other current liabilities	77,863	79,207	74,378	A decline in the balance of Dividend payable of NIS 25 million, countered by an increase in deferred and contingent liability of NIS 23 million in light of the acquisition of Focus by MTAU.
Non-current liabilities	472,516	347,421	462,878	Most of the increase is attributed to an increase in long-term bank loans (NIS 39 million), the recognition of a liability for right-of-use assets and a deferred liability associated with the acquisition of the minority interest (30%) in ECCXI and the acquisition of Focus.
Total liabilities	**1,582,835**	**1,558,530**	**1,372,612**	
Equity attributable to shareholders of the Company	681,414	777,403	660,963	The decline in equity is mainly the result of recording a net loss in the reporting period, a dividend paid in the reporting period and recording a capital reserve from transactions with non-controlling interests following the acquisition of the minority interest in ECCXI.
Non-controlling interests	55,300	75,911	53,388	Non-controlling interests represent the non-controlling interests in MTFR and MTAU. The lower non-controlling interests are largely the result of the acquisition of the remaining minority interest in ECCXI in the second quarter of 2024.
Total equity	**736,714**	**853,314**	**714,351**	
Total liabilities and equity	**2,319,549**	**2,411,844**	**2,086,963**	

3.1 Liquidity ratios

	March 31, 2025	March 31, 2024
Working capital (NIS thousands)	360,622	462,741
Current ratio	1.32	1.38
Quick ratio	0.58	0.58

The decrease in the Company’s working capital and current ratio compared to March 31, 2024 is attributed to a reduction in inventory and a decline in trade receivables, offset by a decrease in trade payables.

4. Operating results in NIS thousands

Following are the condensed income statements for the first quarter of 2024-2025:

Item	January-March 2025	January-March 2024	Rate of change (%)
Sales revenues	346,622	455,962	-24%
Gross profit **Gross margin**	128,510 37.1%	177,351 38.9%	-27.5%
Operating profit **Operating margin**	33,490 9.7%	60,208 13.2%	-44.4%
Net profit (loss) **Net margin**	14,250 4.1%	39,683 8.7%	-64.1%

Following is an analysis of revenue and gross profit, according to segment reporting

1. **Segment revenues:**	**For the three months ended March 31 2025 NIS thousands**	**2025 % of total revenues**	**For the three months ended March 31 2024 NIS thousands**	**2024 % of total revenues**	**% change**	**Explanations**
Residential pool cleaners	248,855	71.8%	365,215	80.1%	-31.9%	The decline in revenue in the private pool robotic cleaner segment is largely due to the challenges of the competitive environment, the impact of the change in the company's sales mix between quarters as a result of the implementation of the strategic pillar of transitioning to direct-to-consumer (DTC) sales. In addition, the quarter's revenue was affected by the continuation of conservative pre-season stocking in North America and Europe, and several operational challenges.
Public pool cleaners	26,229	7.6%	25,440	5.6%	3.1%	No material change.
Safety products and related pool products	71,538	20.6%	65,307	14.3%	9.5%	Growth is largely due to the first-time consolidation of Focus, increased sales of related pool products by MTAU which countered by a decline in sales of pool covers in MTFR and related products in ECCXI.
Total revenues	**346,622**	**100.0%**	**455,962**	**100.0%**	**-24.0%**	
2. **Segment results:**	**NIS thousands**	**Gross margin**	**NIS thousands**	**Gross margin**	**% change**	
Residential pool cleaners	90,925	36.5%	144,919	39.7%	-37.3%	The decline in gross profit is attributed to a decline in revenues. The gross profit rate was affected by a sharp decrease in revenue compared to the reduction in fixed costs in production in Israel and in subsidiaries, the impact of ASP average price, and the impact of changes in currency rates, By contrast, an improvement in gross profitability as a result of the successful realization of direct cost reductions for robot production.
Public pool cleaners	13,786	52.6%	13,345	52.5%	3.3%	No material change.
Safety products and related pool products	23,799	33.3%	19,087	29.2%	24.7%	The increase in gross profit is attributed to an increase in revenues. The increase in gross profit margin is attributed to a significant improvement in ECCXI's operating activity and the contribution of the consolidation of Focus, which contributed to a higher than average gross profit margin in the segment.
Gross profit	**128,510**	**37.1%**	**177,351**	**38.9%**	**-27.5%**	In addition to the above, consolidated gross profit was affected by the sales mix between the reporting segments.

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Further explanations regarding other income statement items (NIS thousands):

Item	For the three months ended March 31, 2025	For the three months ended March 31, 2024	% change	Main explanations
Research and development expenses	10,192	12,373	-17.6%	The decline in development costs is mainly attributed to downsizing in the scope of manpower and other expenses in the development activity in the pool water monitoring, control and treatment segment in light of focused development efforts in the segment. Development costs for these activities in the reporting period amounted to NIS 1 million, compared to NIS 2.5 million last year. Development costs in the robot segment remained at similar levels as part of the Company's strategy to maintain its position as technological leader in this segment and in view of the launch of a new robot generation in the coming years.
Selling and marketing expenses	51,798	69,189	-25.1%	A decline of NIS 2.5 million (11%) in the cost of wages and accompanying benefits as a result of efficiency enhancement, a decrease in shipping costs and a decrease in the expenses of online sales, marketing and promotional campaigns, mostly in ECCXI. By contrast, an increase of NIS 1.7 million was recorded due to the consolidation of Focus.
General and administrative expenses	33,194	35,480	-6.4%	The decline is largely the result of a decrease of NIS 2.1 million (13%) in the cost of wages and accompanying benefits and a decrease in consultants expenses. On the other hand, there was an increase of NIS 0.9 million as a result of recording salary expenses due to a contingent liability related to the acquisition of the minority interest in ECCXI, an increase of NIS 1.3 million due to the consolidation of Focus and an increase of NIS 0.8 million due to the increase in amortization expenses.
Other expenses (income), net	(164)	101	-	-
Operating profit	**33,490**	**60,208**	**-44.4%**	Operating profit declined by 18.9% beyond the work plans against a sharper decline in revenue and gross profit in the quarter.
Finance expenses, net	16,189	10,288	57.4%	The increase in net finance expenses is mainly due to the effect of changes in the interest expenses due to a higher credit volume, as well as changes in the exchange rates on foreign currency balances and the valuation of hedging transactions: in the reporting period, the Company recorded net income of NIS 2.2 million from the valuation of foreign currency and hedges compared to a net expense of NIS 4.6 million last year.
Income before taxes	**17,301**	**49,920**	**-65.3%**	
Taxes on income	3,051	10,237	-70.2%	Tax expenses decreased due to the decrease in income before tax, as well as lower effective tax rate following a change in the profit mix between the companies in the Group.
Net profit	**14,250**	**39,683**	**64.1%**	

5. Cash flows

Item	For the three months ended March 31		Explanations
	2025	2024	
	NIS thousands		
Cash flows provided by operating activities	(33,447)	(69,322)	The first quarter is characterized by early-buy sales and negative cash flow from operating activities. Despite this, improvements in operating working capital management led to a decline in operating cash flow consumed by the Company in the quarter.
Cash flows used in investing activities	(13,375)	(22,299)	The decline in the cash flow from investing activities in fixed assets mainly in buildings at the Company's sites, as well as a lower scope of capitalization of intangible assets in the area of monitoring, control and treatment of pool water.
Cash flows used in financing activities	103,252	49,677	An increase of NIS 113 million in gross credit (an increase of NIS 54 million in net credit), compared to an increase of NIS 60.3 million in gross credit (an increase of NIS 104 in net credit) last year.
Exchange rate differences related to cash and cash equivalents	7,142	(2,514)	-
Translation differences related to cash of foreign operation	(4,594)	912	-
Change in cash and cash equivalents	**58,978**	**(43,546)**	**-**
Cash and cash equivalents at end of period	**143,417**	**86,498**	**-**

B. Market risk exposure and risk management

1. The Company's Market Risk Manager:
The Chief Executive Officer, Mr. Sharon Goldenberg, and Acting Chief Financial Officer, Mr. Eyal Yona, CPA, are responsible for the management of market risks in the Company (for information on said managers, see Regulation 26A in Chapter D of the 2024 Periodic Report).

2. Material market risks to which the Company is exposed:

2.1 **Currency risk:** Changes in the US Dollar, Euro and Australian Dollar exchange rates affect the Company's results. Around 98% of the Company's sales and 50% of its inputs are in foreign currency. Most of the Company's exposure is due to the revaluation of the Shekel against the Euro, against the US Dollar and against the Australian Dollar.

The Company has two types of currency exposure:
Balance sheet exposure, due to the revaluation of assets versus liabilities in those currencies, and cash flow exposure, which is due to net surplus revenues in said currencies.

2.2 **Fair value risk in respect of interest rate changes:** The Company has investments in bonds. Changes in market interest rates change the value of the bonds.

2.3 **Credit risk:** From time to time, the Company secures credit from banks. Part of this credit is granted at variable interest rates, and consequently, the Company is exposed to changes in interest rates.

2.4 **Price risk:** Applies to changes in the prices of securities in the Company's investment portfolio.

3. The corporation's policy regarding management of the above market risks:
It is the Company's practice to hedge against currency risk arising from changes in foreign currency rates against the Shekel, based on the assessments of Company management. The Company's practice is to estimate the exposure to exchange rates (both cash flow and balance sheet exposure) on an ongoing basis, and to hedge a material part of this exposure, generally for six months to one year ahead.
As a rule, the hedges used by the Company are forwards and the purchase of put options. To fund the purchase of put options, the Company also sells call options (cylinder options). Furthermore, to hedge its balance sheet exposure, the Company also occasionally purchases call options.

4. Oversight of the market risk management policy and realization of the policy:
The Board of Directors, according to the Balance Sheet Committee's recommendations, sets policy from time to time, among other things with respect to market risks and their management, with emphasis on currency risk. Additionally, the Balance Sheet Committee reports to the Board of Directors from time to time on the implementation of the risk management policy defined by the Board of Directors.

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Statement of financial position according to linkage bases as of March 31, 2025

	USD-linked	EUR-linked	AUD-linked	CPI-linked	Unlinked and other	Non-financial instru-ment	Total
	NIS thousands						
Assets							
Cash and cash equivalents	32,376	85,566	18,355	-	7,120	-	143,417
Short-term investments	252	-	-	8,351	11,711	-	20,314
Trade receivables, net	162,490	145,115	40,531	-	6,314	-	354,450
Other accounts receivable	40,898	12,234	10,037	-	61,219	-	124,388
Inventory	-	-	-	-	-	828,372	828,372
Long-term deposits and debit balances	-	753	1,174	-	-	-	1,927
Fixed assets, net	-	-	-	-	-	233,797	233,797
Right-of-use assets, net	-	-	-	-	-	187,502	187,502
Intangible assets, net	-	-	-	-	-	374,289	374,289
Deferred taxes, net	-	-	-	-	-	51,093	51,093
Total assets	**236,016**	**243,668**	**70,097**	**8,351**	**86,364**	**1,675,053**	**2,319,549**
Liabilities							
Short-term credit	255,463	19,567	28,504	-	429,852	-	733,386
Trade payables	56,580	13,562	8,750	-	56,483	-	135,375
Other accounts payable	21,601	27,340	10,670	-	117,030	-	176,641
Lease liabilities	-	-	-	-	-	198,675	198,675
Deferred liability in respect of the purchase of shares of consolidated companies	41,028	-	33,746	-	-	-	74,774
Deferred taxes	-	-	-	-	-	1,440	1,440
Employee benefits liability, net	3,224	587	-	-	-	2,513	6,324
Contingent liability in respect of the purchase of shares of a consolidated company	-	-	2,617	-	-	-	2,617
Other liabilities	37,598	4,764	8,295	-	202,946	-	253,603
Total liabilities	**415,494**	**65,820**	**92,582**	**-**	**806,311**	**202,628**	**1,582,835**
Net balance	**(179,478)**	**177,848**	**(22,485)**	**8,351**	**(719,947)**	**1,472,425**	**736,714**

Unofficial Translation from Hebrew

Statement of financial position according to linkage bases as of March 31, 2024

	USD-linked	EUR-linked	AUD-linked	CPI-linked	Unlinked and other	Non-financial instru-ment	Total
	NIS thousands						
Assets							
Cash and cash equivalents	27,675	35,615	21,934	-	1,274	-	86,498
Short-term investments	249	-	-	7,613	11,273	-	19,135
Trade receivables, net	288,487	163,300	32,581	-	6,182	-	490,550
Other accounts receivable	17,780	11,466	7,026	-	68,939	-	105,211
Inventory	-	-	-	-	-	972,456	972,456
Long-term deposits and debit balances	-	723	616	-	-	-	1,339
Fixed assets, net	-	-	-	-	-	233,298	233,298
Right-of-use assets, net	-	-	-	-	-	145,142	145,142
Intangible assets, net	-	-	-	-	-	324,813	324,813
Deferred taxes, net	-	-	-	-	-	33,402	33,402
Total assets	**334,191**	**211,104**	**62,157**	**7,613**	**87,668**	**1,709,111**	**2,411,84**
Liabilities							
Short-term credit	281,555	3,303	8,828	-	394,813	-	688,499
Trade payables	197,945	13,171	4,559	-	74,126	-	289,801
Dividend payable	-	-	-	-	25,000	-	25,000
Other accounts payable	23,338	28,935	7,818	-	109,098	-	169,189
Lease liabilities	-	-	-	-	-	154,045	154,045
Deferred taxes	-	-	-	-	-	1,105	1,105
Liabilities in respect of employee benefits, net	-	-	-	-	-	3,097	3,097
Contingent liability in respect of purchase of stock of a consolidated company	11,720	-	-	-	-	-	11,720
Other liabilities	11,756	8,149	815	-	195,354	-	216,074
Total liabilities	**526,314**	**53,558**	**22,020**	**-**	**798,391**	**158,247**	**1,558,53**
Net balance	**(192,123)**	**157,546**	**40,137**	**7,613**	**(710,723)**	**1,550,864**	**853,314**

Dov Ofer Chairman of the Board	Sharon Goldenberg Chief Executive Officer	May 20, 2025 Date of approval of the Board of Directors' Report

Maytronics Ltd.

Interim Consolidated Financial Statements
(Unaudited)
As of March 31, 2025

Maytronics Ltd.

Interim Consolidated Financial Statements as of March 31, 2025

Unaudited

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Unofficial Translation from Hebrew

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Auditors' Review Report to the Shareholders of Maytronics Ltd.

Introduction

We reviewed the accompanying financial information of Maytronics Ltd. and its subsidiaries (hereinafter: the "Group"), including the condensed consolidated statements of financial position as of March 31, 2025 as well as the condensed consolidated statements of income and other comprehensive income, changes in equity and cash flows, for the three-month period then ended. The board of directors and management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, "Interim Financial Reporting", and are also responsible for compiling this interim financial information in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports) 5730-1970. Our responsibility is to express a conclusion regarding the financial information for this interim period, based on our review.

We have not reviewed the condensed interim financial information of consolidated companies, whose assets as included in the consolidation constitute approximately 2.1% of the total consolidated assets as of March 31, 2025, and whose consolidated revenues constitute approximately 1.4% of the total consolidated revenues for the three-month period then ended. The interim condensed financial information of those companies was reviewed by other auditors, whose review report was furnished to us, and our conclusion, insofar as it refers to the financial information in respect of those companies, is based on the review report of the other auditors.

Scope of the 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 by the Entity's Auditor." A review of interim financial information consists of making inquiries, mainly with the persons responsible for financial and accounting matters, and of the application of analytical and other review procedures. A review is significantly limited in scope compared to an audit which has been conducted according to generally accepted auditing standards in Israel, and therefore does not allow us to obtain assurance that we have become aware of all material matters which may have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review and on the review report of other auditors, nothing has come to our attention that would cause us to believe that the financial information referred to above was not prepared, in all material respects, in accordance with IAS 34.

In addition to that stated in the previous paragraph, based on our review and on the review report of other auditors, nothing has come to our attention that would cause us to believe that the financial information referred to above does not satisfy, in all material respects, the disclosure provisions set forth in Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Haifa,
May 20, 2025

Kost Forer Gabbay & Kasierer
Certified Public Accountants

Consolidated Statements of Financial Position

	March 31		December 31
	2025	2024	2024
ASSETS	Unaudited		Audited
	NIS thousands		
Current Assets			
Cash and cash equivalents	143,417	86,498	84,439
Short-Term Investments	20,314	19,135	20,236
Trade receivables, net	354,450	490,550	218,827
Other accounts receivable	124,388	105,211	100,115
inventory	828,372	972,456	837,796
	1,470,941	1,673,850	1,261,413
Non-current assets			
Long-term receivables	1,927	1,339	1,840
Fixed Assets, Net	233,797	233,298	237,676
Right of Use Assets, Net	187,502	145,142	173,111
Intangible assets, net	374,289	324,813	366,477
Deferred taxes	51,093	33,402	46,446
	848,608	737,994	825,550
	2,319,549	2,411,844	2,086,963

Consolidated Statements of Financial Position

	March 31		December 31
	2025	2024	2024
	Unaudited		Audited
	NIS thousands		
LIABILITIES AND EQUITY			
Current liabilities			
Credit from banks	733,386	688,499	609,206
Current maturities of lease liabilities	32,797	26,900	30,047
Current maturities of deferred liability in respect of acquired subsidiary	30,630	-	29,742
Deferred contingent consideration in respect of acquired subsidiary	1,490	11,720	1,451
Trade payables	135,375	289,801	76,905
Income taxes payable	1,377	1,701	1,674
Dividend payable	-	25,000	-
Other accounts payable	163,695	153,602	149,245
Provisions	11,569	13,886	11,464
	1,110,319	1,211,109	909,734
NON-CURRENT LIABILITIES			
Loans from banks	248,684	209,060	255,821
Lease liabilities	165,878	127,145	152,454
Deferred contingent consideration from acquired subsidiary	1,127	-	1,073
Deferred liability consideration from acquired subsidiary	44,144	-	42,362
Employee benefit liabilities, net	6,324	3,097	5,247
Other long-term liabilities	4,919	7,014	5,513
Deferred taxes	1,440	1,105	408
	472,516	347,421	462,878
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Share Capital	11,260	11,259	11,260
Share premium	119,397	119,397	119,397
Treasury Shares	(500)	(500)	(500)
Retained earnings	542,704	623,008	530,280
Capital reserve from share-based payment transactions	39,389	32,931	37,896
Capital reserve from transactions with controlling shareholder	164	164	164
Capital reserve from remeasurement of defined benefit plans	1,125	1,038	1,125
Revaluation surplus	2,147	2,147	2,147
Capital reserve from transactions with non-controlling interests	(20,749)	(6,895)	(20,749)
Adjustments arising from translating financial statements of foreign operations	(13,523)	(5,146)	(20,057)
	681,414	777,403	660,963
Non-controlling interests	55,300	75,911	53,388
Total equity	736,714	853,314	714,351
	2,319,549	2,411,844	2,086,963

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

Maytronics Ltd.

Consolidated Statements of Profit and Loss and Other Comprehensive Income

	Three months ended March 31		Year ended December 31
	2025	2024	2024
	Unaudited		Audited
	NIS thousands		
Sales revenue	346,622	455,962	1,626,453
Cost of sales	218,112	278,611	1,040,292
Gross profit	128,510	177,351	586,161
Research and development expenses	10,192	12,373	47,430
Sales and marketing expenses	51,798	69,189	330,402
General and administrative expenses	33,194	35,480	150,076
Other Expenses (Income), Net	(164)	101	21,011
Operating income	33,490	60,208	37,242
Finance income	22,734	13,426	13,811
Finance expenses	(38,923)	(23,714)	(64,783)
Income (loss) before taxes	17,301	49,920	(13,730)
Taxes on income	3,051	10,237	15,737
Net income (loss)	14,250	39,683	(29,467)
Other comprehensive income (loss):			
Amounts that will be reclassified to profit or loss upon satisfaction of specific conditions:			
Adjustments arising from translation of financial statements of foreign operations	8,422	2,279	(14,039)
Amounts that will not subsequently be reclassified to profit or loss:			
Profit from remeasurement for defined benefit plans	-	-	87
Total other comprehensive income (loss)	8,422	2,279	(13,952)
Total comprehensive income (loss)	22,672	41,962	(43,419)
Net income (Loss) attributable to:			
Equity holders of the Company	12,424	38,580	(34,148)
Non-controlling interests	1,826	1,103	4,681
	14,250	39,683	(29,467)
Total comprehensive income (loss) attributable to:			
Equity holders of the Company	18,958	41,642	(44,153)
Non-controlling interests	3,714	320	734
	22,672	41,962	(43,419)
Net earnings (loss) per share (basic and diluted) attributable to equity holders of the Company (in NIS)			
Basic net earnings (loss) per share	0.11	0.35	(0.31)
Diluted net earnings (loss) per share	0.11	0.35	(0.31)

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

Consolidated Statements of Changes in Equity

	Attributable to Equity Holders of the Company												
	Share capital	Share premium	Treasury shares	Retained earnings	Capital reserve from share-based payment transactions	Capital reserve from transactions with controlling shareholder	Adjustments arising from translation of financial statements of foreign operations	Capital reserve from re-measurement of defined benefit plans	Revaluation surplus	Capital reserve from transactions with non-controlling interests	Total	Non-controlling interests	Total equity
	Unaudited												
	NIS thousands												
Balance as of January 1, 2025 (audited)	11,260	119,397	(500)	530,280	37,896	164	(20,057)	1,125	2,147	(20,749)	660,963	53,388	714,351
Net income	-	-	-	12,424	-	-	-	-	-	-	12,424	1,826	14,250
Other comprehensive income - adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	-	6,534	-	-	-	6,534	1,888	8,422
Total comprehensive income	-	-	-	12,424	-	-	6,534	-	-	-	18,958	3,714	22,672
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1,802)	(1,802)
Cost of share-based payment	-	-	-	-	1,493	-	-	-	-	-	1,493	-	1,493
Balance as of March 31, 2025	11,260	119,397	(500)	542,704	39,389	164	(13,523)	1,125	2,147	(20,749)	681,414	55,300	736,714

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

Consolidated Statements of Changes in Equity

	Attributable to Equity Holders of the Company												
	Share capital	Share premium	Treasury shares	Retained earnings	Capital reserve from share-based payment transactions	Capital reserve from transactions with controlling shareholder	Adjustments arising from translation of financial statements of foreign operations	Capital reserve from re-measurement of defined benefit plans	Revaluation surplus	Capital reserve from transactions with non-controlling interests	Total	Non-controlling interests	Total equity
	Unaudited												
	NIS thousands												
Balance as of January ,1 (audited) 2024	11,257	119,018	(500)	609,428	30,775	164	(8,208)	1,038	2,147	(6,895)	758,224	78,658	836,882
Net income	-	-	-	38,580	-	-	-	-	-	-	38,580	1,103	39,683
Other Gross Profit Other comprehensive income - adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	-	3,062	-	-	-	3,062	(783)	2,279
Total comprehensive income	-	-	-	38,580	-	-	3,062	-	-	-	41,642	320	41,962
Dividend Declared	-	-	-	(25,000)	-	-	-	-	-	-	(25,000)	-	(25,000)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(3,067)	(3,067)
Exercise of share options	2	379	-	-	(379)	-	-	-	-	-	2	-	2
Cost of share-based payment	-	-	-	-	2,535	-	-	-	-	-	2,535	-	2,535
Balance as of March 31,2024	11,259	119,397	(500)	623,008	32,931	164	(5,146)	1,038	2,147	(6,895)	777,403	75,911	853,314

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

Consolidated Statements of Changes in Equity

	Attributable to the Company's shareholders												
	Share capital	Share premium	Treasury shares	Retained earnings	Capital reserve from share-based payment transactions	Capital reserve from transactions with controlling shareholder	Adjustments arising from translation of financial statements of foreign operations	Capital reserve from re-measurement of defined benefit plans	Revaluation surplus	Capital reserve from transactions with non-controlling interests	Total	Non-controlling interests	Total equity
	Audited												
	NIS thousands												
,Balance as of January 1 2024	11,257	119,018	(500)	609,428	30,775	164	(8,208)	1,038	2,147	(6,895)	758,224	78,658	836,882
Net income (loss)	-	-		(34,148)	-	-	-	-	-	-	(34,148)	4,681	(29,467)
Other comprehensive income (loss) - adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	-	(10,092)	-	-	-	(10,092)	(3,947)	(14,039)
Income from remeasurement of defined benefit plans	-	-	-	-	-	-	-	87	-	-	87	-	87
Total other comprehensive income (loss)	-	-	-	-	-	-	(10,092)	87	-	-	(10,005)	(3,947)	(13,952)
Total comprehensive income (loss)	-	-	-	(34,148)	-	-	(10,092)	87	-	-	(44,153)	734	(43,419)
Exercise of share options	3	379	-	-	(379)	-	-	-	-	-	3	-	3
Dividend declared	-	-	-	(45,000)	-	-	-	-	-	-	(45,000)	-	(45,000)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(10,887)	(10,887)
Acquisition of non-controlling interest	-	-	-	-	-	-	(1,757)	-	-	(13,854)	(15,611)	(15,117)	(30,728)
Cost of share-based payment	-	-	-	-	7,500	-	-	-	-	-	7,500	-	7,500
Balance as of December 31,2024	11,260	119,397	(500)	530,280	37,896	164	(20,057)	1,125	2,147	(20,749)	660,963	53,388	714,351

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

Consolidated Statements of Cash Flows

	Three months ended March 31		Year ended December 31
	2025	2024	2024
	Unaudited		Audited
	NIS thousands		
Cash flows from operating activities:			
Net income (loss)	14,250	39,683	(29,467)
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Taxes on income	(1,184)	4,479	26,587
Deferred taxes, net	(2,856)	7,623	(541)
Financial expenses, net	15,303	15,743	60,336
Depreciation and amortization	26,225	23,455	93,968
Impairment of an intangible asset	-	-	20,741
Cost of share-based payment	1,493	2,535	7,500
Revaluation of options to Kibbutz members	(8)	(112)	(211)
Increase in employee benefits liabilities, net	1,007	106	2,384
Interest accrued on long-term deposit and exchange differences from investments	(2)	(1)	(583)
Capital loss (gain) from sale of fixed assets, net	(110)	116	263
Revaluation of securities measured at fair value through profit or loss, net	(17)	(322)	(1,126)
Revaluation of derivatives, net	18,097	(2,284)	(8,970)
Deferred Contingent consideration from acquired subsidiary	26	-	-
Deferred liability consideration from acquired subsidiary	1,012	-	(1,004)
Exchange differences from cash and cash equivalents	(7,142)	2,514	(5,802)
	51,844	53,852	193,542
Changes in assets and liabilities:			
Decrease (increase) in trade receivables, net	(127,863)	(255,470)	21,838
Decrease (increase) in other accounts receivable (including long-term)	(38,744)	(20,424)	3,933
Decrease in inventory	26,401	5,289	137,311
Increase (decrease) in trade payables	44,482	99,023	(108,888)
Increase in other accounts payable, provisions and taxes payable	10,014	28,747	2,507
Increase (decrease) in other liabilities	288	200	(4,315)
	(85,422)	(142,635)	52,386
Cash paid and received during the period for:			
Interest and dividends received	109	82	375
Interest Paid	(15,412)	(15,825)	(60,711)
Taxes received	4,850	-	-
Taxes paid	(3,666)	(4,479)	(26,587)
	(14,119)	(20,222)	(86,923)
Net cash provided (used in) by operating activities	(33,447)	(69,322)	129,538

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

Consolidated Statements of Cash Flows

	Three months ended March 31		Year ended December 31
	2025	2024	2024
	Unaudited		Audited
	NIS thousands		
Cash flows from investing activities:			
Acquisition and capitalization of intangible assets	(9,517)	(12,717)	(49,908)
Purchase of Fixed Assets	(3,915)	(9,717)	(43,237)
Proceeds from sale of fixed assets	118	228	717
Acquisition of first-time consolidated subsidiary (B)	-	-	(24,604)
Payment of deferred liability related to acquired subsidiary	-	-	(11,767)
Proceeds from purchase of securities measured at fair value through profit or loss, net	(61)	(93)	(390)
Net cash used for investment activity	(13,375)	(22,299)	(129,189)
Cash flows from financing activities			
Proceeds from exercise of options	-	2	3
Receipt of short-term credit, net	122,409	33,620	(56,168)
Receipt of long-term loan	35,000	45,000	179,872
Repayment of long-term loan	(44,397)	(18,282)	(88,774)
Dividend paid to shareholders of the Company	-	-	(45,000)
Dividend paid to non-controlling interests	(1,802)	(3,067)	(10,887)
Repayment of lease liability	(7,958)	(7,596)	(28,837)
Net cash provided by (used in) financing activities	103,252	49,677	(49,791)
Exchange differences on balances of cash and cash equivalents	7,142	(2,514)	5,802
Translation differences from cash balances of foreign operations	(4,594)	912	(1,965)
Increase (decrease) in cash and cash equivalents	58,978	(43,546)	(45,605)
Cash and cash equivalents at the beginning of the period	84,439	130,044	130,044
Cash and cash equivalents at the end of the period	143,417	86,498	84,439
(A) Significant non-cash transactions:			
Purchase of fixed assets and intangible assets on credit	1,913	4,178	2,290
Dividends that have been declared and have not yet been paid	-	25,000	-
Recognition of the right of use assets against lease liability	21,908	1,184	50,895
Deferred liability of acquisition subsidiary	-	-	35,163
Acquisition of non-controlling interests against a deferred liability	-	-	30,728

Consolidated Statements of Cash Flows

	Three months ended March 31		Year ended December 31
	2025	2024	2024
	Unaudited		Audited
	NIS thousands		
(B) <u>Acquisition of first-time consolidated subsidiary:</u>			
Working capital (excluding cash and cash equivalents)	-	-	(10,691)
Fixed Assets	-	-	(2,277)
Right-of-use assets	-	-	(2,815)
Intangible Assets	-	-	(26,676)
Goodwill	-	-	(25,283)
Deferred tax assets	-	-	(637)
Lease liability	-	-	2,499
Deferred liability	-	-	35,163
Deferred Contingent consideration	-	-	2,723
Loans	-	-	688
Deferred tax liability	-	-	2,702
Non-controlling interests	-	-	-
	-	-	(24,604)

Notes to the Interim Consolidated Financial Statements

Note 1- General

These financial statements were prepared in a condensed format as of March 31, 2025, and for the three-month period then ended (hereinafter: the “Interim Consolidated Financial Statements”). These financial statements should be reviewed in context with the Company's annual financial statements as of December 31, 2024, and the for the year then ended, as well as their accompanying notes (hereinafter: the “Consolidated Annual Financial Statements”).

Trump's U.S. Tariff Program

After the date of the statement of financial position, in April 2025, the Trump administration announced the imposition of reciprocal tariffs on imports of goods from many countries around the world to the United States, with a total tariff of 17% imposed on imports from Israel and a total tariff on imports from China to the United States at a rate of 145%, in addition to certain industry levies. The tariff applies only to goods and does not apply to services. On April 9, 2025, President Trump announced a 90-day pause on the tariff plan (except on imports from China), while at the same time announced that the tariff rate on Israel would be reduced to 10%. Later, it was learned that the United States was negotiating with countries whose imports had been subject to tariffs, and on May 12, 2025, the United States reached agreements with China, according to which the both parties would reduce the mutual tariffs to 10% for a period of 3 months, while a separate tariff of 20% imposed by the United States on China would remain unchanged (a total of 30%). During the aforementioned freeze period, the parties will continue negotiations to reach a compromise that will stop the trade war between them.

The Company is examining the effects of the aforementioned tariff plan on its operations in the markets in which it operates, with an emphasis on the American market, which accounts for about 57% of the Company's revenues (as of 2024), and is closely monitoring the frequent developments on the subject.

Repercussions of the Swords of Iron War

In October 2023, the Swords of Iron War (hereinafter: the “War”) broke out in Israel. The continuation of the war led to a slowdown in business activity in the Israeli, among other things, due to the closure of manufacturing sites in Southern and Northern Israel, damage to infrastructure and the call-up of reservists for an indefinite period, as well as to the disruption of economic activity in Israel. The prolongation of the War could have extensive repercussions on many sectoral spheres and different geographical regions in Israel.
For the implications of the Swords of Iron War on the Company's business operations, see Note 1 to the Consolidated Annual Financial Statements for 2024.

The Company continues to maintain its regular operations, to the greatest extent possible in alignment with its work plans and monitors every possible impact of the war on its business in Israel and abroad.
At the present stage, the development of the War and its scale are uncertain, and the full scope of its impact on the Company and on its results in the medium and long term cannot be estimated.

It is noted that the Company submitted a request for compensation to the Property Tax Authority and the Compensation Fund due to the security situation for indirect damages.

Notes to the Interim Consolidated Financial Statements

Note 1- General (continued)

Repercussions of the Swords of Iron War (continued)

Management estimates that there is reasonable assurance that the Company will receive compensation funds in the amount of NIS 10 million, which were included in other revenues in 2023. In 2024, NIS 5 million was received.

Note 2 - Significant Accounting Policies

Framework for preparation of the Interim Consolidated Financial Statements

The Interim Consolidated Financial Statements were prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, and in accordance with the disclosure requirements set forth in Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

The accounting policy which was applied in the preparation of the Interim Consolidated Financial Statements is consistent with the accounting policy applied in the preparation of the Consolidated Annual Financial Statements, other than as described below.

Note 3 - Seasonality

The Company's revenues are affected by seasonally, which is usually reflected in increased sales during the first and second quarters of the year. The results of the reported actions should be reviewed in view of this seasonality.

Note 4 - Financial Instruments for Disclosure Purposes Only

The carrying amount of certain financial assets and liabilities including cash and cash equivalents, trade receivables, other accounts receivable, short-term loans and credit, trade payables and other accounts payable, is the same as or proximate to their fair value.
Floating-rate bank credit is the same as or proximate to its fair value.

The fair value of other financial liabilities and their carrying amount, presented in the statement of financial position, are as follows:

	March 31		December 31
	2025	2024	2024
	Unaudited		Audited
	NIS thousands		
Long-term credit from banks at fixed interest			
Carrying amount	144,915	157,208	154,601
Fair Value	137,177	150,463	145,955

The fair value of long-term bank credit was estimated by discounting future cash flows in respect of principal and interest at the market interest rate as of the measurement date.

Notes to the Interim Consolidated Financial Statements

Note 4: - Financial instruments for disclosure purposes only (Continued)

Financial assets and liabilities measured at fair value

	March 31, 2025			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousands			
Financial assets:				
Short-Term Investments	20,314	-	-	20,314
Financial liabilities:				
Hedging transactions	-	1,692	-	1,692

	March 31, 2024			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousands			
Short-Term Investments	19,135	-	-	19,135
Hedging transactions	-	9,719	-	9,719

	December 31, 2024			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousands			
Short-Term Investments	20,236	-	-	20,236
Protection Transactions	-	16,405	-	16,405

Notes to the Interim Consolidated Financial Statements

Note 5:- Operating Segments

A. General

As stated in the Consolidated Annual Financial Statements, the Group is active in the following operating segments:

Manufacture of private pool robotic cleaners	-	These appliances are intended for consumers who own private swimming pools.
Manufacture of public pool robotic cleaners	-	These appliances are intended for sale to hotels, sports centers, and Olympic size swimming pools.
Pool safety products and related pool products	-	In this segment, the Company manufactures and markets alarms for private pools, drowning detection and prevention systems for private and public pools and manufactures and markets covers for private swimming pools. Related products include supplementary products for swimming pools made by various manufacturers, such as solar heating systems, glass filtration media and water heaters.

Management monitors the operating results of its business units separately for decision making regarding resource allocation and performance assessment.

The performance of the segments is assessed based on gross profit. Some of the Research and Development expenses, as well as direct selling and marketing expenses, are allocated to the operating segments. The remaining R&D expenses, selling and marketing expenses, general and administrative expenses, other expenses and financing for the Group (including finance expenses and finance income) are managed on the Group level and are not allocated to the operating segments.
Focus, which was consolidated on November 1, 2024, is included in the pool safety products and related pool products segment.

Notes to the Interim Consolidated Financial Statements

Note 5- Operating Segments (Continued)

B. Report on operating segments

	Manufacture of private pool robotic cleaners	Manufacture of public pool robotic cleaners	Pool safety products and related pool products	Total
	Unaudited			
	NIS thousands			
For the three-month period ended March 31, 2025				
Total revenues from externals	248,855	26,229	71,538	346,622
Total segmental income	90,925	13,786	23,799	128,510
R&D and direct selling and marketing expenses	(13,317)	(216)	(8,666)	(22,199)
Unallocated shared expenses				(72,821)
Finance expenses, net				(16,189)
Income before taxes				17,301

	Manufacture of private pool robotic cleaners	Manufacture of public pool robotic cleaners	Pool safety products and related pool products	Total
	Unaudited			
	NIS thousands			
For the three-month period ended March 31, 2024				
Total revenues from externals	365,215	25,440	65,307	455,962
Total segmental income	144,919	13,345	19,087	177,351
R&D and direct selling and marketing expenses	(17,004)	(190)	(8,380)	(25,574)
Unallocated shared expenses				(91,569)
Finance expenses, net				(10,288)
Income before taxes				49,920

Notes to the Interim Consolidated Financial Statements

Note 5- Operating Segments (Continued)

B. Reporting on operating segments (cont'd)

	Manufacture of private pool robotic cleaners	Manufacture of public pool robotic cleaners	Pool safety products and related pool products	Total
	Audited			
	NIS thousands			
For the year ended December 31, 2024				
Total revenues from externals	1,162,337	102,489	361,627	1,626,453
Total segmental income	426,881	56,645	102,635	586,161
R&D and direct sales and marketing expenses	(100,412)	(1,517)	(46,809)	(148,738)
Unallocated shared expenses				(400,181)
Finance expenses, net				(50,972)
Loss before income taxes				(13,730)

C. Geographic Information

Sales according to geographical markets (by customer location):

	Three months ended March 31		Year ended December ,31
	2025	2024	2024
	Unaudited		Audited
	NIS thousands		
Europe	140,544	158,780	445,125
North America	142,399	244,048	930,952
Oceania	51,767	40,546	187,086
Rest of World	11,912	12,588	63,290
	346,622	455,962	1,626,453

Notes to the Interim Consolidated Financial Statements

Note 6: - Events During and After the Reporting Period

1. On May 6, 2025, the General Meeting approved the appointment of Mr. Dov Ofer as Chairman of the Board of Directors and the terms of his remuneration, which include a monthly payment for his services for 40% of the position in the amount of NIS 50,000 per month, an annual bonus of up to 6 monthly payments in accordance with and subject to compliance with the provisions of the remuneration policy, reimbursement of expenses according to the Company's policy, as well as equity remuneration as detailed below.
2. On May 20, 2025, the Company's Board of Directors approved the grant of 577,555 warrants to the Chairman of the Board of Directors. The allotment is in accordance with the Company’s ESOP and by virtue of an outline published by the Company on February 24, 2022. The warrants are convertible into the Company's common shares of 0.1 par value each, with an exercise price of NIS 4.05. The vesting conditions of the warrants granted are: 25% after one year, 25% after two years, 25% after three years and 25% after four years. The estimated fair value of the warrants granted as of the date of approval by the Board of Directors was determined to be approximately NIS 1,000 thousand. The following are the data used to measure the fair value of the warrants on the grant date according to the Black&Scholes model with respect to the above plan: share price - NIS 3.98, volatility - 51.7%, expected life of the warrants - four years, risk-free interest rate - 4.01%, forfeiture rate - 10%.

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