Maytronics Ltd.

Board of Directors' Report on the Status of the Company's Affairs For the Period Ended September 30, 2023

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 and marketing of robotic cleaners for residential and public swimming pools, and in the development, manufacture and marketing of automatic swimming pool covers, drowning detection systems, and the marketing of additional 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. Global distribution of the Company's products is largely carried out by external distributors and through subsidiaries. Distribution in the United States is carried out by Maytronics US, a subsidiary based in Atlanta, Georgia ("MTUS") and by ECCXI, an MTUS subsidiary (acquired in 2022, as described in section 2.2 below); in France, by the subsidiary Maytronics France ("MTFR") and by external distributors; in Australia, through the subsidiary Maytronics Australia ("MTAU"); and in Germany, through the subsidiary Bünger & Frese ("BF") as well as external distributors.

The Company is significantly affected by seasonality, and 64% of its sales in 2022, 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 use of home pools begins around April-May and ends around September. Accordingly, the Company's customers (mostly distributors) buy most of the products for their inventory from December/January to July. In general, the distributors themselves sell most of the products from March until the season closes at summer's end.

However, robotic cleaners for private pools are manufactured continuously year-round, with the second half of the year generally being characterized by the production of inventory for the upcoming season.

The Company is a global leader in its main operating segment, robots for private pools, and estimates (based on a summary of 2022 data) that its share of the global market in this segment is around 48%. 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 the swimming pool market:**
Since the beginning of 2023, the swimming pool market has been impacted by three main factors: the first is inventory correction in the distribution channel, a process that began in the second half of 2022

and is expressed in the need of distributors and dealers to destock surplus inventories that accumulated in the first half of 2022. Additionally, the distribution channel has altered inventory buildup patterns, shifting to lower inventory buildup and ordering more frequently, as dealers and distributors cope with high interest rates and in the interests of achieving tighter, more conservative working capital management.

Also, the inflationary environment and high interest rates are taking a toll on consumer spending.

Finally, extreme weather, mainly in North America, in most states in the US, and also in Europe, led to a late start to the pool season in the Northern Hemisphere. All these contributed to an increase in the Company’s finished goods inventory in the past year, and accordingly, the Company cut back on production (compared to the pace of production in the corresponding period last year).

The Company’s sales in the third quarter declined by 19.4% compared to the same quarter last year due to slackening demand following the impacts described above.

Robotic cleaner sales in the residential pool market in the third quarter were down 27.9% compared to last year, and in the public pool segment, sales declined by 37.3%. Sales of safety products and other pool equipment grew by 32.2% in the quarter. In the first nine months, the Company’s sales were up 2.5%.

The Company’s sales in the North American market declined in the quarter by 20%, in Europe and Oceania quarterly sales declined by23%, and RoW sales were up 20%. In the nine-month period, the Company’s revenues in North America increased by 21%, revenues in Europe declined by 19% and in Oceania by 11% compared to the corresponding period last year.

2023 was also marked by growing competition. In the professional channel, the Company estimates that this is related to the need to destock and to increase cash flow, and in the online channel, the Company is witnessing stronger competition by the Chinese. The Company is addressing this challenge in its overall strategy, including an improvement in the value proposition of its product offering (see also sections 2.1.6 and 3.17 in the Description of the Corporation’s Business for 2022, reference no. 2023-01-029673, which is incorporated by reference).

Alongside the challenges in demand by the distribution channel, the Company has experienced ongoing end-user demand for its products. In the online channel, ECCXI grew (in local currency terms) by 5.9% in the third quarter, and by 5.6% in the nine-month period.

When publishing its financial statements for the second quarter, on August 15, 2023, the Company revised its revenue forecast for 2023 and estimated revenue growth within a range of 5% to 13%. The revision was based, inter alia, on expectations for a change in the timing of early-buy distributor purchases for the 2024 season and the estimate that some of those purchases would be postponed to the first half of 2024. In light of the results for the first nine months, the Company estimates that it will meet the lower end of the range of its revenue growth outlook as reported on August 15, 2023.

The Company’s estimates regarding growth potential in 2023 and the timing of orders in the second half of the year is **forward-looking information,** as defined in the Securities Law, 1968 (hereinafter: the "**Securities Law**"), which is based, inter alia, on the practices of the Company's customers in the past nine months, on the Company's experience on the date of this report, its understanding of conditions in the markets in which it is active, its customers' needs, and its intentions and plans for the future, which may change from time to time. Materialization of this estimate is uncertain and is beyond the Company's control, and may not materialize or may materialize in part should new players and/or products enter the market and/or should current players become stronger; due to changing preferences of the Company's customers; due to unforeseen difficulties associated with the Company's products and their further development; due to macroeconomic changes; and as a result of the Company's other risk factors, which are enumerated in section 3.22 of the Description of the Corporation's Business for 2022.

2.2 **Effects of the ECCXI acquisition:**

ECCXI was consolidated for the first time at the end of July 2022. The company is active in eCommerce in North America in the sale of pool equipment to end users (pool owners). Accordingly, its business is marked by seasonality, which is generally reflected in relatively strong sales in the months of April to July.

As an indication of ECCXI's business, below is condensed information from ECCXI's income statement (solo) from its (unaudited) financial statements for the third quarter and first nine months:

	Q3 2023 (USD thousands)	**Q3 2022 (USD thousands)**	**9 Months 2023 (USD thousands)**	**9 Months 2022 (USD thousands)**
Revenues	38,888	36,724	138,666	131,318
Gross profit	12,282	11,367	39,483	38,092
Operating profit	2,407	1,490	7,753	7,204

ECCXI delivered revenue growth of 5.9% in the third quarter in a challenging year for the pool industry as well as margin growth, which is largely attributed to the mix of products sold.

General note: Various financial data in this report incorporate the contribution of ECCXI (which, as mentioned, joined the Group in July 2022) to the Group's overall results and financial position, and accordingly, any comparison to the figures for last year should take this contribution into consideration.

2.3 On September 30, 2023, the Company's **order backlog** that is intended for sale in 2023 amounted to NIS 55 million compared to an order backlog of NIS 138.1 million on September 30, 2022, reflecting a decline of 60% in relation to last year. The decline in backlog reflects the perpetuation of the trend that began in the second half of 2022 following the change in inventory buildup patterns in the distribution channel, which is expressed in a return to placing orders for inventory close to the planned selling date. It is further noted that the first-time consolidation of ECCXI is not reflected in the order backlog since ECCXI's sales are D2C online sales.

As an additional reference point, it is noted that on September 30, 2020 and September 30, 2019, before the outbreak of COVID-19, the order backlog was NIS 34.2 million and NIS 24 million, respectively.

2.4 **Foreign currency effects** in the reporting period compared to the corresponding period last year:
Changes in the exchange rates of major currencies in the third quarter (three months): The Euro, which accounted for 23% of the Company's sales, strengthened on average by 16.8% against the Shekel; the US Dollar, which accounted for 61% of the Company's sales, strengthened on average by 8.9% against the Shekel; and the Australian Dollar, which accounted for 13% of the Company's sales, strengthened on average by 5.5% 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 an increase of NIS 29 million in quarterly sales, an increase of NIS 16.9 million in gross profit and an increase of NIS 10.2 million in operating profit.

Changes in the exchange rates of major currencies in the nine-month period: The Euro, which accounted for 31% of the Company's sales, strengthened on average by 10.5% against the Shekel; the US Dollar, which accounted for 61% of the Company's sales, strengthened on average by 8.6% against the Shekel; and the Australian Dollar, which accounted for 7% of the Company's sales, strengthened on average by 4.5% against the Shekel.
The effect of changes in exchange rates on sales, gross profit and operating profit compared to the corresponding nine-month period last year amounted to an increase of NIS 127 million in sales, an increase of NIS 70 million in gross profit and an increase of NIS 56 million in operating profit.

2.5 **Dividend distribution:** On August 15, 2023, the Board of Directors of the Company declared an interim cash dividend for 2023 at a total of NIS 50 million and NIS 0.4558 per share, which was paid on September 28, 2023.

2.6 **Approval of an allotment of warrants to employees and managers:** In its resolution of May 16, 2023 and its written amending resolution of June 11, 2023, and further to the approvals of the Remuneration Committee of May 14, 2023 and June 7, 2023 (respectively), the Board of Directors of the Company approved an allotment of 1,040,000 warrants, exercisable for ordinary shares of the Company of NIS 0.1 par value each, to the Company CEO, to officers in the Company, to the manager of a subsidiary and to Company employees, in a cashless exercise. Said allotment is within the framework of the Company's employee stock ownership plan (ESOP), which was adopted by the Board of Directors (with the approval of the Remuneration Committee) at the end of 2017.

Further to the above, on July 3, 2023, the Annual General and Special Meeting of the Company approved an allotment of 110,000 non-marketable and non-transferable warrants, exercisable for up to 110,000 registered ordinary shares of the Company of NIS 0.1 par value each, to the Company CEO, Mr. Sharon Goldenberg. For further information, see the Immediate Reports of May 17, 2023, June 21, 2023 and July 4, 2023 (reference no. 2023-01-052842, 2023-01-068013 and 2023-01-074472, respectively), which are incorporated by reference.

The remainder of the allotment to officers, to the manager of the subsidiary and to Company employees (930,000 non-marketable and non-transferable warrants exercisable for up to 930,000 registered ordinary shares of the Company of NIS 0.1 par value each) will be made under a private placement memorandum published by the Company on August 22, 2023. For further information, see the Immediate Report of August 22, 2023 (reference no. 2023-01-096693), which is incorporated by reference.

2.7 **Annual and Special General Meeting:** On July 3, 2023, the Annual General Meeting approved the reappointment of the Company Auditor (Kost Forer Gabbay & Kasierer) and the reappointment of the directors in office in the Company (not including independent directors, whose office will continue according to law). For further information on the summons to the meeting and the resolutions passed therein, see the Immediate Reports of May 17, 2023, June 21, 2023 and July 4, 2023 (reference no. 2023-01-052842, 2023-01-068013 and 2023-01-074472, respectively), which are incorporated by reference.

2.8 **For the effects of the pandemic and the global supply chain crisis on the Company,** see sections 1.6.4 and 1.6.5 in the Description of the Corporation's Business for 2022. In this regard, it is noted that as the pandemic has receded in Israel and around the world and after the management of COVID-19 was reassigned to the existing healthcare system, post-pandemic effects and repercussions have begun to wane.

2.9 **Israeli government policy:** Further to the contents of the Description of the Corporation's Business for 2022 regarding the government's steps to implement a judicial overhaul and the massive social protests that arose following these attempts, in the third quarter the situation impacted the local capital and foreign currency markets as well as Israel's international economic standing (with respect to volatility in the foreign currency market in Israel, see section 2.4 in this report).

Company management is continuously monitoring developments in this arena and assessing their implications, if any, on its business. Given the current war in Israel, which has continued since October 7, 2023 as described in section 2.10 below, and announcements in the media concerning the discontinuation of the aforesaid government activities, the Company is of the view that as of the date of this report, Israeli government policy and the planned changes to the judiciary are not expected to have repercussions on its business.

2.10 **Effects of the Swords of Iron War on the Company's business:** After the reporting date, on October 7, 2023, the Hamas terror organization launched a murderous attack on the Gaza envelope communities, which resulted in the death and injury of thousands of citizens and soldiers and the abduction of many others.

The war led to a series of consequences and restrictions, among others, the temporary closure of numerous businesses, limitations on gatherings in workplaces and on holding events, and the closure of schools and educational institutions. In addition, a large number of citizens were called up to reserve duty. These steps led to a reduction in business activity in Israel and a general economic slowdown, and a sharp drop in share prices on the Tel Aviv Stock Exchange. Furthermore, on October 5, 2023, S&P Global Ratings announced that it was downgrading Israel's credit outlook from "stable" to "negative", while reaffirming Israel's AA- credit rating.

Maytronics stepped up to help the war effort, while part of its team was called up to reserves. The

Company maintained regular operations according to its plans to the greatest extent possible. Some of the office work shifted to Zoom, and parts of the production sites were affected by the security situation at specific points. Apart from this, the Company's regular operations have continued as planned, and the Company is monitoring all possible consequences of the war on its businesses in Israel and other countries.

At the present stage, there is considerable uncertainty as to the development of the war, its scale, the theaters of operations, its duration, its impact on the functioning of the economy and the home front, on the Israeli economy as a whole, and its direct and indirect implications for the Company. Accordingly, it is not possible at the present time to assess the full scope of the consequences of the war on the Company and its results in the medium and long term.

3. Financial position

Following is a description of the major developments occurring in the line items in the statement of financial position as of September 30, 2023, compared to the statement of financial position as of September 30, 2022 and compared to the statement of financial position as of December 31, 2022 (in NIS thousands).

Item	**September 30**		**December 31**	**Explanations by the Company – balances as of September 30, 2023 compared to September 30, 2022**
	2023	**2022**	**2022**	
	NIS thousands			
Cash and cash equivalents and short-term investments	125,413	185,553	138,508	A decline of NIS 60.1 million, largely due to a reduction in the level of interest-bearing credit.
Trade receivables	171,678	315,415	187,504	A decline of NIS 143.7 million in the trade receivables balance, largely the result of stronger collection in light of the date on which the sales were generated, a different customer mix following growth in ECCXI's sales, and a decline in revenues in the third quarter.
Trade payables	72,999	70,618	64,295	An increase of NIS 2.4 million, largely the result of an increase in tax receivables.
Inventory	972,645	830,586	1,016,098	An increase of NIS 142 million in the balance of inventory, which was mainly affected by the rise in the exchange rates of the US Dollar and the Euro and their impact on inventory value in the subsidiaries, as well as an increase of NIS 17.8 million in pool equipment inventory in ECCXI, which is attributed to business growth in these accompanying pool products. It is noted that raw material and work in process inventories are lower by NIS 27 million compared to the corresponding period last year, despite the negative effects of the strengthening of the US Dollar. It is further noted that inventory correction efforts led to decline of 25% in the volume of finished goods inventory (robotic cleaners) compared to December 31, 2022, which was partially offset by foreign currency effects as described above. In the nine-month period ended September 30, 2023, the Company succeeded in lowering inventory by NIS 100.5 million, thus contributing to improved operating cash flow.
Total current assets	**1,342,735**	**1,402,172**	**1,406,405**	

Item	**September 30**		**December 31**	**Explanations by the Company – balances as of September 30, 2023 compared to September 30, 2022**
	2023	**2022**	**2022**	
	NIS thousands			
Long-term debit balances	1,899	1,691	1,751	No significant change.
Fixed assets	225,895	182,608	200,312	The increase in fixed assets is largely the result of investments in the Company's sites in Dalton and Kibbutz Yizre'el, including the expansion of manufacturing and operational areas and office buildings
Right-of-use assets	136,309	135,949	144,395	Right-of-use assets are attributed to the Company's lease agreements, which mainly include buildings and vehicles, against the recording of a liability.
Intangible assets	325,664	287,812	297,453	The increase in intangible assets is largely due to higher development costs that were capitalized in a comparison between the periods. The rise in the exchange rates of the US Dollar and the Euro also contributed to the increase in intangible assets. In the first nine months, the Company recorded investments of NIS 6.2 million (compared to NIS 11.3 million last year) in the pool water monitoring and control segment.
Deferred taxes	49,616	29,483	41,298	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. The increase in the tax asset is primarily due to timing differences in the Company.
Total non-current assets	**739,383**	**637,543**	**685,209**	
Total assets	**2,082,118**	**2,039,715**	**2,091,614**	

Item	September 30		December 31	Explanations by the Company – balances as of September 30, 2023 compared to September 30, 2022
	2023	2022	2022	
	NIS thousands			
Bank credit	542,487	334,247	477,422	Short-term credit increased by NIS 208.2 million, taken primarily to finance the Group's working capital requirements and hedge its balance sheet exposure. In the third quarter the decline in debt levels continued, with short-term credit NIS 26 million lower than on June 30, 2023 and down NIS 173 million in the past six months.
Trade payables	143,960	290,577	240,094	Trade payables declined by NIS 146.6 million, largely due to a decline in inventory purchases in the third quarter compared to the corresponding period last year.
Other accounts payable	130,643	148,935	161,438	Other accounts payable declined by NIS 18.3 million, largely due to a decline in employees and institutions balances, in the liability for customer bonuses, and the revaluation of foreign currency transactions following an increase in the exchange rates of the Euro and Australian Dollar at the end of the quarter.
Other current liabilities	60,744	94,927	76,439	The decline is largely due to the settlement of deferred liabilities related to the acquisition of consolidated companies.
Non-current liabilities	338,863	410,078	396,967	Most of the decline is attributed to a decrease in long-term bank loans taken by the companies in the Group and the reclassification of a contingent liability associated with the acquisition of ECCXI as of September 30, 2023 to current liabilities.
Total liabilities	**1,216,697**	**1,278,764**	**1,352,360**	
Equity attributable to shareholders of the Company	**788,081**	697,637	674,077	The Company's equity before non-controlling interests as of September 30, 2023 constitutes 38% of total assets on the statement of financial position, compared to 34.2% last year. The increase in equity is mainly the result of an increase in the Company's earnings, offset by a dividend paid. The increase in the equity-to-asset ratio is due to the relative decline in the Company's liabilities and growth in its earnings in the period.
Non-controlling interests	**77,340**	63,314	65,177	Non-controlling interests represent the non-controlling interests in MTFR, MTAU and ECCXI. The increase in non-controlling interests is largely the result of an increase in the earnings of the subsidiaries and an increase in adjustments arising from the translation of financial statements.
Total equity	**865,421**	**760,951**	**739,254**	
Total liabilities and equity	**2,082,118**	**2,039,715**	**2,091,614**	

3.1 **Liquidity ratios**

	September 30, 2023	**September 30, 2022**
Working capital (NIS thousands)	464,901	533,486
Current ratio	1.53	1.61
Quick ratio	0.42	0.66

The Company's working capital was down 13% compared to September 30, 2022 due to lower current assets and higher non-current assets, as well as a certain increase in short-term debt and a decline in long-term debt following repayment.
The decline in the quick ratio is the primarily the result of the increase in inventory, as described in section 3 above.

4. Operating results in NIS thousands

Following are the condensed income statements for the first nine months and third quarter of 2023 and 2022:

Item	**January-September 2023**	**January-September 2022**	**July-September 2023**	**July-September 2022**
Sales revenues	1,585,828	1,547,882	332,103	411,920
Gross profit **Gross margin**	681,700 43.0%	627,169 40.5%	133,910 43.0%	162,855 39.5%
Operating profit **Operating margin**	258,106 16.3%	316,630 20.5%	12,633 3.8%	44,085 10.7%
Net profit **Net margin**	183,916 11.6%	263,821 17.0%	2,692 0.8%	39,129 9.5%

Following is an analysis of revenue and gross profit, reported by segment						
	For the three-month period ended September 30		**For the three-month period ended September 30**			
	2023		**2022**			
1. Segment revenues:	**NIS thousands**	**% of total revenues**	**NIS thousands**	**% of total revenues**	**% change**	**Explanations**
Residential pool cleaners	228,210	68.7%	316,557	76.8%	(27.9%)	Most of the decline in segment revenues is attributed to the relatively early end of the pool season compared to last year and ongoing inventory correction in the distribution channel. In addition, the corresponding period reflected a relatively high revenue level due to revenues shifting from the second to the third quarter of 2022.
Public pool cleaners	19,981	6.0%	31,879	7.7%	(37.3%)	The decline in the current quarter is mostly attributed to the fact that the third quarter last year was strong thanks to the Company's improved ability to meet the demand created in 2022, after previously experiencing challenges in the availability of some components necessary in this segment.
Safety products and related pool products	83,912	25.3%	63,484	15.5%	32.2%	This segment grew in the third quarter, mainly thanks to ECCXI's contribution to sales of pool equipment, as well as growth in sales of water treatment products by the subsidiary in Australia.
Total revenues	**332,103**	**100.0%**	**411,920**	**100.0%**	**(19.4%)**	
2. Segment results:	**NIS thousands**	**Gross margin**	**NIS thousands**	**Gross margin**	**% change**	
Residential pool cleaners	97,419	42.7%	125,475	39.6%	(22.4%)	The decline in gross profit is due to lower revenues. Margin growth is mainly the result of an increase in sell-in prices, favorable currency effects and a certain decline in BOM costs and shipping rates, which were offset by lower production volumes.
Public pool cleaners	11,029	55.2%	17,564	55.1%	(37.2%)	The decline in gross profit is due to lower revenues.
Safety products and related pool products	25,462	30.3%	19,816	31.2%	28.5%	The increase in gross profit is the result of revenue growth. The slight decline in the gross margin is the result of the different product mix.
Gross profit	**133,910**	**40.3%**	**162,855**	**39.5%**	**(17.8%)**	

	For the nine-month period ended September 30		For the nine-month period ended September 30			
	2023		2022			
1. Segment revenues:	**NIS thousands**	**% of total revenues**	**NIS thousands**	**% of total revenues**	**% change**	**Explanations**
Residential pool cleaners	1,237,234	78.0%	1,326,930	85.7%	(6.8%)	Revenue decline is largely the result of a substantial change in inventory buildup patterns in the distribution channel in the reporting period, a process that began in the second half of 2022 and is expressed in the need of distributors and dealers to destock surpluses that accumulated in the first half of last year; the inflationary environment and high interest, which are taking a toll on consumer spending; and extreme weather conditions, mainly in the US and Europe, that led to a late start to the season in the Northern Hemisphere.
Public pool cleaners	89,708	5.7%	75,260	4.9%	19.2%	Revenue growth is largely attributed to continuing demand in the segment, mainly in the North American market, and the Company's improved ability to supply the demand for these products.
Safety products and related pool products	258,886	16.3%	145,692	9.4%	77.7%	Sales growth is largely due to the first-time consolidation of ECCXI and an increase in sales of water treatment products by the subsidiary in Australia.
Total revenues	**1,585,828**	**100.0%**	**1,547,882**	**100.0%**	**2.5%**	
2. Segment results:	**NIS thousands**	**Gross margin**	**NIS thousands**	**Gross margin**	**% change**	
Residential pool cleaners	545,285	44.1%	535,612	40.4%	1.8%	Margin growth is mainly attributed to an increase in sell-in prices, favorable currency effects and a certain decline in BOM costs and shipping rates
Public pool cleaners	49,338	55.0%	39,876	53.0%	23.7%	The increase in gross profit and the gross margin is mostly due to an increase in sell-in prices, favorable currency effects and a certain decline in BOM costs.
Safety products and related pool products	87,077	33.6%	51,681	35.5%	68.5%	The increase in gross profit is due to revenue growth. The relative decline in the gross margin is largely due to the revenue mix and the first-time consolidation of ECCXI.
Gross profit	**681,700**	**43.0%**	**627,169**	**40.5%**	**8.7%**	

<u>Further explanations regarding other income statement items (NIS thousands):</u>

Item	**For the three-month period ended September 30, 2023**	**For the three-month period ended September 30, 2022**	**<u>%</u> <u>change</u>**	**<u>Main explanations</u>**
Research and development expenses	12,454	12,718	(2.1%)	The slight decline in development costs is mainly attributed to the water technology segment. Development costs in the pool water monitoring, control and treatment segment in the period were NIS 2.8 million.
Selling and marketing expenses	80,221	72,948	10.0%	The increase is largely due to the consolidation of ECCXI, which contributed an additional NIS 15.2 million quarter-on-quarter following sales growth and the full consolidation of July 2023. Additionally, the rise in exchange rates in the period contributed another NIS 4.9 million.
General and administrative expenses	28,602	33,104	(13.6%)	G&A expenses declined by NIS 4.5 million. The consolidation of ECCXI contributed an additional NIS 1.5 million quarter-on-quarter, and the rise in exchange rates contributed a further NIS 1.3 million. By contrast, the Company recorded a decline in labor costs in management departments and other general expenses.
Operating profit	12,633	44,085	(71.3%)	The lower operating profit is the result of the decline in sales and gross profit in the period.
Finance expenses, net	14,721	594	-	In the reporting period net finance expenses were recorded, mainly due to interest on the Group's lines of credit, at an amount of NIS 12 million. It is noted that said amount reflects a decline in relation to expenses of NIS 14.2 million in the prior quarter due to a decline in debt levels. In the same quarter last year, net finance expenses were recorded following an increase in the Group's debt levels, which were offset by finance income due to foreign currency effects. It is further noted that the Company secures credit from banks from time to time, partly at floating interest rates.
Other expenses (income)	(59)	25	-	-
Income (loss) before taxes	(2,029)	43,466	-	The decrease is largely due to the decline in operating profit.
Taxes on income (tax benefit)	(4,721)	4,337	-	The change in tax expenses is the result of a loss for tax purposes in the reporting period, compared to a gain for tax purposes in the corresponding period last year, as well as a change in the profit mix in the Group.
Net profit	2,692	39,129	(93.1%)	-

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

Item	For the nine-month period ended September 30, 2022	For the nine-month period ended September 30, 2021	% change	Main explanations
Research and development expenses	42,647	39,091	9.1%	The increase in development costs mainly is attributed to the robot segment. Development costs in the pool water monitoring, control and treatment segment in the reporting period amounted to NIS 10.6 million.
Selling and marketing expenses	275,351	171,809	60.3%	Most of the increase is due to the consolidation of ECCXI, which contributed NIS 90 million versus last year following sales growth and the full consolidation of July 2023; an increase in marketing campaigns as part of marketing effort to drive growth sales; and higher exchange rates in the period, which contributed another NIS 11.1 million.
General and administrative expenses	105,596	99,639	6.0%	Most of the increase is attributed to the consolidation of ECCXI, which contributed a further NIS 7.6 million versus last year, and the rise in exchange rates, which contributed another NIS 3.3 million. By contrast, labor costs in management departments declined, as did other general expenses.
Operating profit	258,106	316,630	(18.5%)	Operating profit declined due to the decline in sales and gross profit in addition to the increase in operating expenses.
Finance expenses, net	50,399	2,906	1634.3%	In the reporting period net finance expenses were recorded, mainly due to interest on the Group’s lines of credit, at an amount of NIS 37 million. In the corresponding period last year, net finance expenses were recorded following an increase in the Group’s debt levels, which were offset by finance income due to foreign currency effects. It is further noted that the Company secures credit from banks from time to time, partly at floating interest rates. Consequently, the Company is exposed to interest rate fluctuations.
Other income	(59)	(8)	-	-
Income before taxes	207,766	313,732	(33.8%)	The decline is largely due to the decline in operating profit and the higher finance expenses.
Taxes on income	23,850	49,911	(52.2%)	The decrease in tax expenses is due to the decline in pretax earnings and a change in the profit mix in the Group. The effective tax rate was 11.5%, compared to 15.9% in the same period last year.
Net profit	183,916	263,821	(30.3%)	Net profit declined following the decline in operating profit, and was offset by the higher finance expenses.

5. <u>Cash flows</u>

Item	For the nine months ended September 30		For the three months ended September 30		Explanations
	2023	2022	2023	2022	
	NIS thousands				
Cash flows provided by (used in) operating activities	210,700	(97,236)	126,377	(15,347)	The increase in cash flows provided by operating activities in the reporting period is mainly due to the decline in inventory levels and to receivables collection.
Cash flows used in investing activities	(106,054)	(81,206)	(57,944)	(29,546)	In the reporting period, the Company settled a deferred liability of NIS 26.8 million in respect of the shares of a consolidated company, invested more in the acquisition of fixed assets, mainly buildings at the Company's sites, and by contrast, invested less in intangible assets.
Cash flows provided by (used in) financing activities	(115,132)	105,490	(110,339)	(57,396)	In the reporting period, the Company secured less debt and also repaid larger amounts on account of long-term loans.
Exchange rate differences in respect of cash and cash equivalents	(4,519)	(1,379)	(1,820)	(6,131)	
Translation differences in respect of cash and cash equivalents of foreign operation	1,373	4,558	110	(1,996)	
Decline in cash and cash equivalents	**(13,632)**	**(69,773)**	**(43,616)**	**(110,416)**	
Cash and cash equivalents at end of period	**107,259**	**168,006**	**107,259**	**168,006**	

B. Market risk exposure and management methods

1. <u>The Company's Market Risk Manager:</u>
   The CEO, Mr. Sharon Goldenberg, and the CFO, Mr. Meni Maymon, 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 2022 Periodic Report).

2. <u>Material market risks to which the Company is exposed:</u>

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

3. <u>The corporation's policy regarding management of the above market risks</u>:
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. <u>Oversight of the market risk management policy and realization of the policy</u>:
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.

Statement of financial position according to linkage bases on September 30, 2023

	USD-linked	EUR-linked	AUD-linked	CPI-linked	Unlinked and other	Non-financial instru-ment	Total
	NIS thousands						
Assets							
Cash and cash equivalents	11,369	85,353	8,318	-	2,219	-	107,259
Short-term investments	244	-	-	7,058	10,852	-	18,154
Trade receivables, net	53,784	61,329	43,771	-	12,794	-	171,678
Other accounts receivable	22,432	4,691	6,278	-	39,598	-	72,999
Inventory	-	-	-	-	-	972,645	972,645
Long-term deposits and debit balances	-	717	1,164	-	18	-	1,899
Fixed assets, net	-	-	-	-	-	225,895	225,895
Right-of-use assets, net	-	-	-	-	-	136,309	136,309
Intangible assets, net	-	-	-	-	-	325,664	325,664
Deferred taxes, net	-	-	-	-	-	49,616	49,616
Total assets	**87,829**	**152,090**	**59,531**	**7,058**	**65,481**	**1,710,129**	**2,082,118**
Liabilities							
Short-term credit	338,021	3,721	11,113	-	189,632	-	542,487
Trade payables	86,154	7,784	6,725	-	43,297	-	143,960
Other accounts payable	34,482	28,579	7,426	-	78,093	-	148,580
Lease liabilities	-	-	-	-	-	144,563	144,563
Deferred taxes	-	-	-	-	-	2,798	2,798
Liabilities in respect of employee benefits, net	-	-	-	-	-	3,851	3,851
Contingent liability in respect of purchase of shares of a consolidated company	14,248	-	-	-	-	-	14,248
Other liabilities	15,817	9,993	766	-	189,634	-	216,210
Total liabilities	**488,722**	**50,077**	**26,030**	**-**	**500,656**	**151,212**	**1,216,697**
Net balance	**(400,893)**	**102,013**	**33,501**	**7,058**	**(435,175)**	**1,558,917**	**865,421**

Statement of financial position according to linkage bases on September 30, 2022

	USD-linked	EUR-linked	AUD-linked	CPI-linked	Unlinked and other	Non-financial instru-ment	Total
	NIS thousands						
Assets							
Cash and cash equivalents	19,894	128,765	16,631	-	2,716	-	168,006
Short-term investments	46	-	-	6,829	10,672	-	17,547
Trade receivables, net	177,972	68,149	58,075	-	11,219	-	315,415
Other accounts receivable	2,144	3,412	3,855	-	61,207	-	70,618
Inventory	-	-	-	-	-	830,586	830,586
Long-term deposits and debit balances	-	607	1,034	-	50	-	1,691
Fixed assets, net	-	-	-	-	-	182,608	182,608
Right-of-use assets, net	-	-	-	-	-	135,949	135,949
Intangible assets, net	-	-	-	-	-	287,812	287,812
Deferred taxes, net	-	-	-	-	-	29,483	29,483
Total assets	**200,056**	**200,933**	**79,595**	**6,829**	**85,864**	**1,466,438**	**2,039,715**
Liabilities							
Short-term credit	41,084	1,680	10,080	-	281,403	-	334,247
Trade payables	89,143	15,479	7,879	-	178,076	-	290,577
Other accounts payable	50,861	25,431	11,510	-	92,346	-	180,148
Lease liabilities	-	-	-	-	-	141,377	141,377
Deferred liability of acquired subsidiary	23,688	15,591	-	-	-	-	39,279
Deferred taxes	-	-	-	-	-	1,648	1,648
Liabilities in respect of employee benefits, net	-	-	-	-	-	4,699	4,699
Contingent liability in respect of purchase of shares of a consolidated company	13,201	-	-	-	-	-	13,201
Other liabilities	21,261	1,347	623	-	250,357	-	273,588
Total liabilities	**239,238**	**59,528**	**30,092**	**-**	**802,182**	**147,724**	**1,278,764**
Net balance	**(39,182)**	**141,405**	**49,503**	**6,829**	**(716,318)**	**1,318,714**	**760,951**

		November 27, 2023
Yonatan Bassi Chairman of the Board	Sharon Goldenberg Chief Executive Officer	Date of approval of the Board of Directors' Report

Maytronics Ltd.

Interim Consolidated Financial Statements
(Unaudited)
As of September 30, 2023

Maytronics Ltd.

Interim Consolidated Financial Statements as of September 30, 2023

Unaudited

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Building a better working world

Auditors' Review Report to the Shareholders of Maytronics Ltd.

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 September 30, 2023, as well as the condensed consolidated statements of income and other comprehensive income, changes in equity and cash flows, for the nine-month and three-month periods then ended. The board of directors and management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, "Interim Financial Reporting", and 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 these interim periods, 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 34% of total consolidated assets as of September 30, 2023, and whose revenue as included in the consolidation constitutes approximately 61% and 61%, respectively, of total consolidated revenue for the nine-month and three-month periods 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), 5730-1970.

Haifa,
November 27, 2023

Kost Forer Gabbay & Kasierer
Certified Public Accountants

Consolidated Statements of Financial Position

	September 30		December 31
	2023	2022	2022
	Unaudited		Audited
	NIS thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	107,259	168,006	120,891
Short-term investments	18,154	17,547	17,617
Trade receivables, net	171,678	315,415	187,504
Income tax receivables	6,188	3,397	-
Other accounts receivable	66,811	67,221	64,295
Inventory	972,645	830,586	1,016,098
	1,342,735	1,402,172	1,406,405
NON-CURRENT ASSETS:			
Long-term receivables	1,899	1,691	1,751
Fixed assets, net	225,895	182,608	200,312
Right-of-use assets, net	136,309	135,949	144,395
Intangible assets, net	325,664	287,812	297,453
Deferred taxes, net	49,616	29,483	41,298
	739,383	637,543	685,209
	2,082,118	2,039,715	2,091,614

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

Maytronics Ltd.

Consolidated Statements of Financial Position

	September 30		December 31
	2023	2022	2022
	Unaudited		Audited
	NIS thousands		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks	542,487	334,247	477,422
Current maturities of lease liabilities	28,559	24,435	26,910
Current maturities of deferred liability in respect of acquired subsidiary	-	39,279	25,882
Contingent liability in respect of acquired subsidiary	14,248	-	-
Trade payables	143,960	290,577	240,094
Income tax payable	676	9,215	3,476
Other accounts payable	130,643	148,935	161,438
Provisions	17,261	21,998	20,171
	877,834	868,686	955,393
NON-CURRENT LIABILITIES:			
Loans from banks	209,993	266,091	248,157
Lease liabilities	116,004	116,942	124,151
Contingent liability in respect of acquired subsidiary	-	13,201	13,112
Employee benefit liabilities, net	3,851	4,699	4,259
Other long-term liabilities	6,217	7,497	5,786
Deferred taxes	2,798	1,648	1,502
	338,863	410,078	396,967
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Share capital	11,256	11,220	11,229
Share premium	118,838	114,420	115,472
Treasury shares	(500)	(500)	(500)
Retained earnings	633,328	590,154	555,179
Capital reserve from share-based payment transactions	27,210	19,021	20,613
Capital reserve from transactions with controlling shareholder	164	164	164
Capital reserve from remeasurement of defined benefit plans	388	(1,654)	388
Revaluation surplus	2,147	2,147	2,147
Capital reserve from transactions with non-controlling interests	(6,895)	(6,895)	(6,895)
Adjustments arising from translation of financial statements of foreign operations	2,145	(30,440)	(23,720)
	788,081	697,637	674,077
Non-controlling interests	77,340	63,314	65,177
Total equity	865,421	760,951	739,254
	2,082,118	2,039,715	2,091,614

November 27, 2023			
Date of approval of the financial statements	Yonatan Bassi Chairman of the Board	Sharon Goldenberg Chief Executive Officer	Meni Maymon Chief Financial Officer

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

Maytronics Ltd.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2023	2022	2023	2022	2022
	Unaudited		Unaudited		Audited
	NIS thousands				
Sales revenues	1,585,828	1,547,882	332,103	411,920	1,786,896
Cost of sales	904,128	920,713	198,193	249,065	1,068,587
Gross income	681,700	627,169	133,910	162,855	718,309
Research and development expenses	42,647	39,091	12,454	12,718	52,641
Selling and marketing expenses	275,351	171,809	80,221	72,948	238,088
General and administrative expenses	105,596	99,639	28,602	33,104	134,919
Operating income	258,106	316,630	12,633	44,085	292,661
Other income (expenses), net	59	8	59	(25)	29
Finance income	46,858	12,299	6,716	19,895	15,689
Finance expenses	(97,257)	(15,205)	(21,437)	(20,489)	(44,644)
Income (loss) before taxes	207,766	313,732	(2,029)	43,466	263,735
Taxes on income (tax benefit)	23,850	49,911	(4,721)	4,337	35,986
Net income	183,916	263,821	2,692	39,129	227,749
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	30,901	14,523	10,311	(4,798)	23,908
Amounts that will not subsequently be reclassified to profit or loss:					
Remeasurement gain on defined benefit plans	-	-	-	-	2,042
Total other comprehensive income (loss)	30,901	14,523	10,311	(4,798)	25,950
Total comprehensive income	214,817	278,344	13,003	34,331	253,699
Net income (loss) attributable to:					
Equity holders of the Company	172,149	253,271	(690)	35,112	218,296
Non-controlling interests	11,767	10,550	3,382	4,017	9,453
	183,916	263,821	2,692	39,129	227,749
Total comprehensive income attributable to:					
Equity holders of the Company	198,014	266,912	7,910	31,362	240,699
Non-controlling interests	16,803	11,432	5,039	2,969	13,000
	214,817	278,344	13,003	34,331	253,699
Net basic earnings (loss) per share attributable to equity holders of the Company (in NIS):	1.57	2.32	(0.01)	0.32	2.00
Net diluted earnings (loss) per share attributable to equity holders of the Company (in NIS):	1.57	2.31	(0.01)	0.32	1.99

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

Consolidated Statements of Changes in Equity

	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 remeasure-ment of defined benefit plans	Revaluation surplus	Capital reserve from transactions with non-controlling interests	Total	Non-controlling interests	Total equity
	Attributable to Equity Holders of the Company												
	Unaudited												
	NIS thousands												
Balance as of January 1, 2023 (audited)	11,229	115,472	(500)	555,179	20,613	164	(23,720)	388	2,147	(6,895)	674,077	65,177	739,254
Net income	-	-	-	172,149	-	-	-	-	-	-	172,149	11,767	183,916
Other comprehensive income - adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	-	25,865	-	-	-	25,865	5,036	30,901
Total comprehensive income	-	-	-	172,149	-	-	25,865	-	-	-	198,014	16,803	214,817
Exercise of share options	27	3,366	-	-	(3,366)	-	-	-	-	-	27	-	27
Dividend paid	-	-	-	(94,000)	-	-	-	-	-	-	(94,000)	-	(94,000)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(4,640)	(4,640)
Cost of share-based payment	-	-	-	-	9,963	-	-	-	-	-	9,963	-	9,963
Balance as of September 30, 2023	11,256	118,838	(500)	633,328	27,210	164	2,145	388	2,147	(6,895)	788,081	77,340	865,421

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 remeasure-ment 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 July 1, 2023	11,254	118,573	(500)	684,018	23,867	164	(6,455)	388	2,147	(6,895)	826,561	75,047	901,608
Net income (loss)	-	-	-	(690)	-	-	-	-	-	-	(690)	3,382	2,692
Other comprehensive income - adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	-	8,600	-	-	-	8,600	1,711	10,311
Total comprehensive income (loss)	-	-	-	(690)	-	-	8,600	-	-	-	7,910	5,093	13,003
Exercise of share options	2	265	-	-	(265)	-	-	-	-	-	2	-	2
Dividend paid	-	-	-	(50,000)	-	-	-	-	-	-	(50,000)	-	(50,000)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(2,800)	(2,800)
Cost of share-based payment	-	-	-	-	3,608	-	-	-	-	-	3,608	-	3,608
Balance as of September 30, 2023	11,256	118,838	(500)	633,328	27,210	164	2,145	388	2,147	(6,895)	788,081	77,340	865,421

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 remeasurement 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, 2022 (audited)	11,210	113,071	(500)	461,893	11,703	164	(44,081)	(1,654)	2,147	(6,895)	547,058	38,618	585,676
Net income	-	-	-	253,271	-	-	-	-	-	-	253,271	10,550	263,821
Other comprehensive income - adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	-	13,641	-	-	-	13,641	882	14,523
Total comprehensive income	-	-	-	253,271	-	-	13,641	-	-	-	266,912	11,432	278,344
Exercise of share options	10	1,349	-	-	(1,349)	-	-	-	-	-	10	-	10
Dividend paid	-	-	-	(125,010)	-	-	-	-	-	-	(125,010)	-	(125,010)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(4,100)	(4,100)
Acquisition of non-controlling interest occurring on first-time consolidation	-	-	-	-	-	-	-	-	-	-	-	17,364	17,364
Cost of share-based payment	-	-	-	-	8,667	-	-	-	-	-	8,667	-	8,667
Balance as of September 30, 2022	11,220	114,420	(500)	590,154	19,021	164	(30,440)	(1,654)	2,147	(6,895)	697,637	63,314	760,951

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 remeasure-ment 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 July 1, 2022	11,216	113,817	(500)	620,052	17,298	164	(26,690)	(1,654)	2,147	(6,895)	728,955	42,981	771,936
Net income	-	-	-	35,112	-	-	-	-	-	-	35,112	4,017	39,129
Other comprehensive loss - adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	-	(3,750)	-	-	-	(3,750)	(1,048)	(4,798)
Total comprehensive income (loss)	-	-	-	35,112	-	-	(3,750)	-	-	-	31,362	2,969	34,331
Exercise of share options	4	603	-	-	(603)	-	-	-	-	-	4	-	4
Dividend paid	-	-	-	(65,010)	-	-	-	-	-	-	(65,010)	-	(65,010)
Acquisition of non-controlling interest occurring on first-time consolidation	-	-	-	-	-	-	-	-	-	-	-	17,364	17,364
Cost of share-based payment	-	-	-	-	2,326	-	-	-	-	-	2,326	-	2,326
Balance as of September 30, 2022	11,220	114,420	(500)	590,154	19,021	164	(30,440)	(1,654)	2,147	(6,895)	697,637	63,314	760,951

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 remeasurement 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, 2022	11,210	113,071	(500)	461,893	11,703	164	(44,081)	(1,654)	2,147	(6,895)	547,058	38,618	585,676
Net income	-	-	-	218,296	-	-	-	-	-	-	218,296	9,453	227,749
Other comprehensive income - adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	-	20,361	-	-	-	20,361	3,547	23,908
Income from remeasurement of defined benefit plans	-	-	-	-	-	-	-	2,042	-	-	2,042	-	2,042
Total comprehensive income	-	-	-	218,296	-	-	20,361	2,042	-	-	240,699	13,000	253,699
Exercise of share options	19	2,401	-	-	(2,401)	-	-	-	-	-	19	-	19
Dividend paid	-	-	-	(125,010)	-	-	-	-	-	-	(125,010)	-	(125,010)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(4,100)	(4,100)
Acquisition of non-controlling interest occurring on first-time consolidation	-	-	-	-	-	-	-	-	-	-	-	17,659	17,659
Cost of share-based payment	-	-	-	-	11,311	-	-	-	-	-	11,311	-	11,311
Balance as of December 31, 2022	11,229	115,472	(500)	555,179	20,613	164	(23,720)	388	2,147	(6,895)	674,077	65,177	739,254

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

Maytronics Ltd.

Consolidated Statements of Cash Flows

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2023	2022	2023	2022	2022
	Unaudited		Unaudited		Audited
	NIS thousands				
Cash flows from operating activities:					
Net income	183,916	263,821	2,692	39,129	227,749
Adjustments to reconcile net income to net cash provided by operating activities:					
Adjustments to profit or loss items:					
Taxes on income	36,687	49,922	6,217	21,802	57,931
Deferred taxes, net	(6,017)	(2,088)	1,284	(5,868)	(13,499)
Finance expenses, net	45,805	8,964	15,872	3,230	18,105
Depreciation and amortization	62,867	48,187	22,689	18,316	69,678
Cost of share-based payment	9,963	8,667	3,608	2,326	11,311
Revaluation of options to Kibbutz members	(249)	(1,861)	(232)	(833)	(2,068)
Increase (decrease) in employee benefit liabilities, net	(408)	251	129	81	1,853
Interest accrued on long-term deposit and exchange differences on investments	(50)	(212)	(118)	(14)	(188)
Capital gain (loss) from sale of fixed assets, net	(188)	2	(161)	6	391
Revaluation of securities measured at fair value through profit or loss, net	(321)	1,725	(19)	412	1,962
Revaluation of derivatives, net	(11,970)	15,779	(22,793)	(9,279)	47,185
Exchange differences on cash and cash equivalents	4,519	1,379	1,820	6,131	(6,098)
	140,638	130,715	28,296	36,310	186,563
Changes in asset and liability items:					
Decrease (increase) in trade receivables, net	25,538	(180,338)	272,470	166,168	(55,189)
Decrease (increase) in other accounts receivable (including long-term)	(6,988)	10,457	(6,063)	7,787	7,793
Decrease (increase) in inventories	100,566	(196,537)	(22,654)	(137,848)	(360,183)
Decrease in trade payables	(124,540)	(106,340)	(99,376)	(110,554)	(166,597)
Increase (decrease) in other accounts payable, provisions and taxes payable	(29,370)	36,050	(27,829)	8,553	15,099
Increase in other liabilities	3,432	3,822	930	140	4,052
	(31,362)	(432,886)	117,478	(65,754)	(555,025)
Cash paid and received during the period for:					
Interest and dividends received	334	325	130	135	459
Interest paid	(46,139)	(9,289)	(16,002)	(3,365)	(18,564)
Taxes paid	(36,687)	(49,922)	(6,217)	(21,802)	(57,931)
	(82,492)	(58,886)	(22,089)	(25,032)	(76,036)
Net cash provided by (used in) operating activities	210,700	(97,236)	126,377	(15,347)	(216,749)

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

Consolidated Statements of Cash Flows

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2023	2022	2023	2022	2022
	Unaudited		Unaudited		Audited
	NIS thousands				
Cash flows from investing activities:					
Purchase and capitalization of intangible assets	(35,727)	(45,194)	(11,678)	(13,389)	(59,059)
Purchase of fixed assets	(47,510)	(38,335)	(17,558)	(18,070)	(58,311)
Proceeds from sale of fixed assets	463	95	360	12	204
Investment grants received	3,734	-	-	-	-
Acquisition of first-time consolidated subsidiary (B)	-	1,880	-	1,880	3,029
Payment of deferred liability in respect of acquired subsidiary	(26,798)	-	(29,197)	-	(16,538)
Proceeds from sale (purchase) of securities measured at fair value through profit or loss, net	(216)	348	129	21	41
Net cash used in investing activities	(106,054)	(81,206)	(57,944)	(29,546)	(130,634)
Cash flows from financing activities:					
Proceeds from exercise of options	27	10	2	4	19
Receipt of short-term credit, net	44,078	10,769	(33,790)	(166,411)	145,944
Receipt of long-term loan	12,056	270,000	-	190,000	270,000
Repayment of long-term loans	(51,100)	(29,202)	(16,342)	(10,036)	(46,146)
Dividend paid to equity holders of the Company	(94,000)	(125,010)	(50,000)	(65,010)	(125,010)
Dividend paid to non-controlling interests	(4,640)	(4,100)	(2,800)	-	(4,100)
Repayment of lease liabilities	(21,553)	(16,977)	(7,409)	(5,943)	(23,303)
Net cash provided by (used in) financing activities	(115,132)	105,490	(110,339)	(57,396)	217,404
Exchange differences on cash and cash equivalent balances	(4,519)	(1,379)	(1,820)	(6,131)	6,098
Translation differences on cash balances of foreign operations	1,373	4,558	110	(1,996)	6,993
Decrease in cash and cash equivalents	(13,632)	(69,773)	(43,616)	(110,416)	(116,888)
Cash and cash equivalents at beginning of period	120,891	237,779	150,875	278,422	237,779
Cash and cash equivalents at end of period	107,259	168,006	107,259	168,006	120,891

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

Consolidated Statements of Cash Flows

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2023	2022	2023	2022	2022
	Unaudited		Unaudited		Audited
	NIS thousands				
(A) Significant non-cash transactions:					
Purchase of fixed assets and intangible assets on credit	3,048	11,777	3,048	11,777	18,059
Recognition of right-of-use asset against lease liability	13,241	44,817	5,792	33,540	59,962
Deferred liability in respect of acquired subsidiary	-	22,952	-	22,952	24,751
(B) Acquisition of first-time consolidated subsidiary					
Working capital (excluding cash and cash equivalents)	-	33,310	-	33,310	32,427
Fixed assets	-	(769)	-	(769)	(769)
Right-of-use assets	-	(2,608)	-	(2,608)	(6,896)
Intangible assets	-	(48,604)	-	(48,604)	(47,705)
Goodwill	-	(35,119)	-	(35,119)	(36,229)
Lease liability	-	2,563	-	2,563	7,000
Deferred liability	-	22,952	-	22,952	24,751
Contingent consideration	-	12,791	-	12,791	12,791
Non-controlling interests	-	17,364	-	17,364	17,659
	-	1,880	-	1,880	3,029

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

Note 1 - General

These financial statements were prepared in a condensed format as of September 30, 2023, and for the nine-month and three-month periods then ended (hereinafter: “Interim Consolidated Financial Statements”). These financial statements should be analyzed in the context of the Company’s annual financial statements as of December 31, 2022 and for the year then ended, as well as the accompanying notes (hereinafter: the “Consolidated Annual Financial Statements”).

Effects of inflation and rising interest rates

2022 was marked by the emergence of global macroeconomic developments, which led, and continue to lead, to rising inflation in Israel and worldwide. As part of the measures applied to curb price hikes, central banks around the world, including the Bank of Israel, began to raise interest rates.
The elevated interest rates raised borrowing costs on the Company’s loans and current line of credit provided by financial institutions.

Swords of Iron War

On October 7, 2023, the Hamas terror organization launched a murderous attack on the communities in the Gaza envelope. The war led to a series of consequences and restrictions, among others, the temporary closure of numerous businesses, limitations on gatherings in workplaces and on holding events, and the closure of schools and educational institutions. In addition, a large number of citizens were called up to reserve duty. These steps led to a reduction in business activity in Israel and a general economic slowdown, and a sharp drop in share prices on the Tel Aviv Stock Exchange.

The Company stepped up to help the war effort, while part of its team was called up to reserves. The Company maintained regular operations according to its plans to the greatest extent possible. Some of the office work shifted to Zoom, and parts of the production sites were affected by the security situation at specific points. Apart from this, the Company’s regular operations have continued as planned, and the Company is monitoring all possible consequences of the war on its businesses in Israel and other countries.

At the present stage, there is considerable uncertainty as to the development of the war, its scale, the theaters of operations, its duration, its impact on the functioning of the economy and the home front, on the Israeli economy as a whole, and its direct and indirect implications for the Company. Accordingly, it is not possible at the present time to assess the full scope of the consequences of the war on the Company and its results in the medium and long term.

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), 5730-1970.

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 stated below.

Note 3 - First-Time Adoption of Amendments to Current Accounting Standards and Disclosure of New IFRS Standards Issued but Not Yet Effective

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

In February 2021, the IASB issued an amendment to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (hereinafter: the "Amendment"). The purpose of the Amendment is to introduce a new definition of the term "accounting estimates".

Accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The Amendment explains the nature of changes in accounting estimates and how they are distinguished from changes in accounting policy and the correction of errors.

The Amendment is effective prospectively for annual periods beginning on January 1, 2023, and applies to changes in accounting policy and accounting estimates that occur on or after the start of that period.

The Amendment did not have a material effect on the Interim Consolidated Financial Statements of the Company.

2. Amendment to IAS 12, Income Taxes

In May 2021, the IASB issued an amendment to IAS 12, Income Taxes (hereinafter: "IAS 12" or the "Standard"), which narrows the scope of the "initial recognition exemption" (hereinafter: the "Exemption") for deferred taxes, presented in paragraphs 15 and 24 of IAS 12 (hereinafter: the "Amendment").

In the guidance for recognition of deferred tax assets and liabilities, IAS 12 excludes recognition of deferred tax assets and liabilities with respect to certain temporary differences arising on initial recognition of assets and liabilities in certain transactions. The Amendment narrows the scope of the Exemption and clarifies that it does not apply to deferred tax assets and liabilities arising from a transaction that is not a business combination, which gives rise to equal taxable and deductible temporary differences, even if the remaining conditions for Exemption are satisfied.

The Amendment is effective for reporting periods beginning on January 1, 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings (or other components of equity, if relevant) at that date.

The Amendment did not have a material effect on the Interim Consolidated Financial Statements of the Company.

Furthermore, in May 2023 the IASB issued an amendment to IAS 12, Income Taxes (hereinafter: the "Amendment"), following the OECD's international tax policy reform, BEPS Pillar 2 (hereinafter: "Pillar 2" or the "International Tax Reform").

Note 3 - First-Time Adoption of Amendments to Current Accounting Standards and Disclosure of New IFRS Standards Issued but Not Yet Effective (cont'd)

2. Amendment to IAS 12, Income Taxes (cont'd)

The Amendment includes:

(a) A temporary mandatory relief from recognizing and disclosing deferred taxes arising from enacted or substantively enacted tax law that implements the OECD Pillar Two Model Rules (hereinafter: "Temporary Relief"); and

(b) Specific disclosure requirements for multinational enterprises affected by the International Tax Reform.

The Temporary Relief described in par. (a) above is effective immediately and its application is required to be disclosed. The other specific disclosure requirements are effective for annual reporting periods beginning on or after January 1, 2023, but do not apply to interim periods ending on or before December 31, 2023.

The above Amendment did not affect the Interim Consolidated Financial Statements of the Company, since the International Tax Reform does not apply to the Group as its annua revenues are less than EUR 750 million.

3. Amendment to IAS 1, Disclosure of Accounting Policies

In February 2021, the IASB issued an amendment to IAS 1, Presentation of Financial Statements (hereinafter: the "Amendment"). The Amendment requires companies to disclose their "material" accounting policy information rather than the current requirement to disclose their "significant" accounting policies. One of the main reasons for the Amendment is that IFRS do not contain a definition of the term "significant", whereas "materiality" is defined in various standards, notably IAS 1.

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

The Amendment had no effect on the Interim Condensed Consolidated Financial Statements of the Company. However, the Company is reviewing the implications of the Amendment on the disclosure of accounting policies in its Consolidated Annual Financial Statements.

Note 4 - Seasonality

The Company's revenues are affected by seasonality of operations, which is usually reflected in greater sales during the first and second quarters of the year. The reported operating results should be analyzed taking this seasonality into consideration.

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 residential 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, sport centers, and for Olympic size swimming pools.
Safety products and related pool products	-	In this segment, the Company manufactures and markets home pool alarms, drowning detection and prevention systems for residential and public pools, and is engaged in the manufacture and marketing of covers for residential 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 for performance assessment.

Segment performance is assessed based on gross profit or loss. Research and development expenses, selling and marketing expenses, general and administrative expenses, other expenses and financing for the Group (including finance expenses and finance income) are managed for the Group as a whole and are not attributed to operating segments.

B. Report on operating segments

	Manufacture of residential pool robotic cleaners	Manufacture of public pool robotic cleaners	Safety products and related pool products	Total
	Unaudited			
	NIS thousands			
For the nine-month period ended September 30, 2023				
Total revenues from externals	1,237,234	89,708	258,886	1,585,828
Total segment profit	545,285	49,338	87,077	681,700
Unallocated shared expenses				(423,594)
Other income, net				59
Finance expenses, net				(50,399)
Income before taxes				207,766

Note 5 - Operating Segments (cont'd)

B. Report on operating segments (cont'd)

	Manufacture of residential pool robotic cleaners	Manufacture of public pool robotic cleaners	Safety products and related pool products	Total
	Unaudited			
	NIS thousands			
For the three-month period ended September 30, 2023				
Total revenues from externals	228,210	19,981	83,912	332,103
Total segment profit	97,419	11,029	25,462	133,910
Unallocated shared expenses				(121,277)
Other income, net				59
Finance expenses, net				(14,721)
Income before taxes				(2,029)

	Manufacture of residential pool robotic cleaners	Manufacture of public pool robotic cleaners	Safety products and related pool products	Total
	Unaudited			
	NIS thousands			
For the nine-month period ended September 30, 2022				
Total revenues from externals	1,326,930	75,260	145,692	1,547,882
Total segment profit	535,612	39,876	51,681	627,169
Unallocated shared expenses				(310,539)
Other income, net				8
Finance expenses, net				(2,906)
Income before taxes				313,732

Note 5 - Operating Segments (cont'd)

B. Report on operating segments (cont'd)

	Manufacture of residential pool robotic cleaners	Manufacture of public pool robotic cleaners	Safety products and related pool products	Total
	Unaudited			
	NIS thousands			
For the three-month period ended September 30, 2022				
Total revenues from externals	316,557	31,879	63,484	411,920
Total segment profit	125,475	17,564	19,816	162,855
Unallocated shared expenses				(118,770)
Other expenses, net				(25)
Finance expenses, net				(594)
Income before taxes				43,466

	Manufacture of residential pool robotic cleaners	Manufacture of public pool robotic cleaners	Safety products and related pool products	Total
	Audited			
	NIS thousands			
For the year ended December 31, 2022				
Total revenues from externals	1,500,958	96,616	189,322	1,786,896
Total segment profit	601,297	51,846	65,166	718,309
Unallocated shared expenses				(425,648)
Other income, net				29
Finance expenses, net				(28,955)
Income before taxes				263,735

Note 5 - Operating Segments (cont'd)

C. Geographical information

Sales according to geographical market (by customer location):

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2023	2022	2023	2022	2022
	Unaudited		Unaudited		Audited
	NIS thousands				
Europe	487,359	599,209	77,113	99,640	638,519
North America	933,343	771,268	190,154	238,439	900,258
Oceania	102,961	115,588	42,008	54,765	176,481
Rest of World	62,165	61,817	22,828	19,076	71,638
	1,585,828	1,547,882	332,103	411,920	1,786,896

Note 6 - 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.

The fair value of other financial liabilities and carrying amounts presented on the statement of financial position is as follows:

	September 30		December 31
	2023	2022	2022
	Unaudited		Audited
	NIS thousands		
Long-term credit from banks at fixed interest			
Carrying amount	175,565	207,981	199,351
Fair value	160,662	190,205	186,355

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

Note 7 - Events During and After the Reporting Period

A. On March 21, 2023, the Board of Directors of the Company approved the distribution of a cash dividend of NIS 44 million, gross. The dividend was paid on June 25, 2023. The record date was set for May 29, 2023.

B. On March 21, 2023, the Board of Directors of the Company approved the grant of 110,000 warrants to a senior officer of the Company. 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 ordinary shares of the Company of NIS 0.1 par value each, plus an exercise increment of NIS 43.64. The vesting conditions of the warrants 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 on the date of the Board of Directors' approval was set at approximately NIS 1,564 thousand. Following are the data used to measure the fair value of the warrants on the grant date according to the Black-Scholes model for the above plan: share price – NIS 43.15; volatility – 40.2%; expected life of the warrants – four years; risk-free interest rate – 4.13%; forfeiture rate – 10%.

C. On May 16, 2023, the Company allotted 1,040,000 warrants to employees and managers of the Company (including an allotment of 110,000 warrants to the Company CEO), in a cashless exercise. The warrants are convertible into ordinary shares of the Company of NIS 0.1 par value each, plus an exercise increment of NIS 40.90. The vesting conditions of the warrants 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 on the date of the Board of Directors' approval was set at NIS 14.2 million. Following are the data used to measure the fair value of the warrants on the grant date according to the Black-Scholes model for the above plan: share price – NIS 40.90; volatility – 41.2%; expected life of the warrants – four years; risk-free interest rate – 3.84%; forfeiture rate – 10%.

D. On August 15, 2023, the Board of Directors of the Company approved the distribution of a cash dividend of NIS 50 million, gross. The dividend was paid on September 28, 2023. The record date was set for September 10, 2023.