Unofficial Translation from Hebrew

Maytronics Ltd.

Board of Directors' Report on the State of the Company's Affairs For the Period Ended June 30, 2024

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

1. Principal information from the description of the Company'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; in France, by the subsidiary Maytronics France ("MTFR") and by an external distributor; 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 66% of its sales in 2023, and most of its profits, were generated in the first half-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 (primarily 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 all year round, and the second half of the year is more strongly characterized by the production of inventory for the upcoming season.

The Company is a global leader in its main operating segment, robotic cleaners for private pools, and estimates (based on the summary for the full year of 2023) that its share of the global market in the robotic cleaner segment (as defined in section 1.2 of Part A – Description of the Corporation's Business) is 51%-56%. 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:**
In the past two years, the swimming pool market, including the pool cleaner market, has been significantly impacted by the high interest rate environment, as reflected in the scope and mix of the Company's revenues in two ways:

1. A substantial change in inventory buildup patterns in the traditional distribution channel – distributors and dealers. This process, which began in the second half of 2022 following the need by the channel to destock surplus inventories that accumulated on the emergence from COVID-19, intensified in the past year. The change in buildup patterns in the distribution channel has escalated mainly as a result of two factors:
   - Extreme weather, leading to late-starting pool seasons in Europe and North America in the past two years. This is an exogenous factor that is not typical of the standard pool seasons observed in past decades.
   - The growing strength of the online channel on account of traditional distribution channels, a trend that is supported by a broader offering of lower priced value propositions and pool owners becoming increasingly comfortable with online shopping.
2. The scope and nature of demand by pool owners.

Growth in the online sales mix has several effects:

In the online channel, competition has intensified significantly in the past few years following the entry of numerous Chinese players offering value propositions across a broad price range, with a substantial investment in digital marketing.
The eCommerce cost structure is expressed in an increase in the variable OpEx mix, particularly selling and marketing expenses, which involve commissions to marketplaces and digital marketing expenses.
The range of value propositions online generates significant growth potential in two avenues – firstly, an increase in the penetration of robotic pool cleaners. The trends described above are reflected in the past two years, and more strongly in 2024, in the conversion of manual and other cleaning solutions to the robotic solution, mainly in the lower end of the price range. Secondly, in leveraging the Company's online platform for the sale of a growing range of pool products, which is reflected in 30.8% growth in sales by the safety products and related pool product segment, largely based on sales by ECCXI's online platform.

The strategic process undertaken by the Company in 2023 identified these trends, and several courses of action were crafted to address the changing market conditions, including, among others –

1. The Company announced the launch of a new battery-powered product line (which includes robotic cleaners and basic vacuum cleaners) in the mid-to-low price range, to be sold under a separate brand, Niya (owned by the Company), which delivers a unique value proposition to the end user. The new product line includes a number of models planned for launch and sale in the 2024 season. The purpose of this initiative is to expand the Company's value proposition and boost its competitive ability in the mid-to-low segment, which has continued to deliver high growth rates in 2024. However, the challenges of the Swords of Iron War led to a delay in the launch of most of the models. It is noted that the Company intends to expand the number of models under the new brand in 2025, which will allow for the optimal leveraging of the segment's potential across all sales channels.

2. Expansion of ECCXI’s agreements with leading manufacturers in the pool industry for the sale of a broader product portfolio via the ECCXI platform, as well as placing marketing emphasis on gaining market share in the related pool products segment. These moves were successfully executed and led to 30% growth in the Company’s business in this segment.

3. Development of new, technologically superior products. In 2024, the Company launched a new robotic cleaner, Skimmi, which delivers a unique robotic solution for cleaning the water surface. The launch date of this product was also delayed due to the challenges posed by the war, with a resulting negative impact on the Company’s plans to gain market share in this segment, and consequently, on revenues in the period.

4. Expansion of the value proposition of the robotic solution under the Dolphin brand. In 2023, the Company began marketing a new cordless robot family, the Liberty series. The Company is now in the phases of advanced development of other state-of-the-art robots, which will be launched in the next few years.

5. Leveraging ECCXI’s capabilities, knowledge and experience to the European market. The Company established a subsidiary for ECCXI’s activity in Europe and worked on building the necessary business infrastructure for sales in the different countries. Building the infrastructure, which mostly involves obtaining regulatory approvals and sales approvals from a large number of parties in numerous countries has taken longer than expected, affecting the Company’s ability to make sales according to its plans. At present, the Company has received most of the approvals, and is working to complete the business infrastructure prior to the 2025 season.

6. Focus on the Company’s cost structure. In the short term, this effort involves optimization of procurement activities, efficiency enhancement in production, among other things through automation, and addressing the structure of the Company’s fixed costs. In the medium and long term, the main focus area is a review of product design, which includes planning and work processes, with the aim of establishing a more efficient cost structure.

   The Company’s goal of lowering the cost structure of manufacturing to 10%-15% of direct COGS is planned within a three-year period. The expectation for the end of the year is an estimated reduction of approximately 7% in the direct cost of manufacturing robots based on the successful implementation of quick wins carried out during the year.

   In addition, during the second quarter and up to the date of this report, the company carried out a cross-organizational adjustment of the structure and scope of operating expenses and investments. This move is expected to result in an improvement in the company's cash flow in the amount of approximately NIS 7.3 million related to wages and rent expenses in the second half of 2024 and approximately NIS 17.5 million in terms of a full year. Also, prioritization and adjustment of related expenses and investments in projects, information systems, marketing and other expenses, is expected to decrease the cash flow of the company's by approximately NIS 15 million.

The Company's sales in the second quarter, which mainly reflect sales in the pool season in North America and Europe, declined by 16.7% compared to the same quarter last year (it is noted that in Q2 2023 sales grew by 28.8%). Sales of residential pool robotic cleaners were down 26.7% in the current quarter compared to last year, reflecting the growing trend of lower buildup in the distribution channel as described above and a decline in online sales due to the lower ASP (average selling price) as a result of the adjustment of the sell-out prices of several models in mid-2023. It is noted that despite the effects of the competition and the postponement of the launch of the new robot line under the Niya brand, which is designated for the online channel, volume sales in this channel rose by a low single-digit rate. In the commercial (public) segment, sales declined by 9.3% compared to the corresponding period, and were up 28.9% compared to the prior quarter. It is further noted that sales in the public pool segment in the corresponding period last year grew by 53%, reflecting extraordinary sales that were the result of the recovery of the hotel and tourism industry upon the emergence from COVID-19. Sales of safety products and related pool products were up 30.8%, mostly thanks to successfully leveraging the ECCXI platform to expand agreements with manufacturers in the pool industry.
In summing up H1 2024, the Company's sales declined by 15.2%.

Q2 and H1 2024 summary in the major territories compared to the corresponding periods last year:

The Company's sales in North America were down 16% compared to the corresponding periods; in Europe, sales declined by 21% compared to the same quarter last year and by 18% compared to the half-year period; and Oceania, sales grew by 12% compared to the corresponding periods last year.

The set of market characteristics mentioned above, and especially the change in the way the distribution chain is equipped and an increase in the sales mix of the online channel, along with the instability of the weather, affected the results of the first half and produce a higher level of uncertainty and volatility than before. In light of the aforementioned effects, the company updates the forecast for 2024, and estimates that the rate of annual change (compared to last year) in revenues will range from minus 5% to minus 15% and updates the range of the forecast for gross margin to the level of 40%-39%.

The information in this section regarding expected developments in the coming year (both from the sales side and expenses) is forward-looking information, and as such, is uncertain and may not materialize, in whole or in part, or may materialize differently than expected.

This information is based on the information provided in sections 2.1.2, 2.2.2 and 2.3.1 of the Periodic Report and in this report, on the present 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 current 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 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 possessing similar or superior capabilities and/or at a preferable price, if rivals from the Far East gain increasing strength (a point discussed by the Company in said sections), due to 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 3.22 below.

2.2 **Launch of a new product line:** On February 28, 2024, the Company announced that it had initiated a collaboration with Shenzhen Seauto Technologies Co. Ltd. of China (hereinafter: "**Seauto**") for the launch of a new battery-powered product line (which includes robots and basic vacuum cleaners) in the mid-to-low price range. The new robot line will be sold exclusively by the Company (in its major territories) under the Niya brand (owned by the Company), and delivers a unique value proposition to the end user that differs from the Dolphin brand. In the initial stage, the Company will launch a number of models that will be sold in key markets via eCommerce. The new brand enlarges and strengthens the Company's value proposition in the robotic cleaner segment and adds a value proposition in the basic vacuum cleaner segment, where the Company has not been active until now (other than in robotic cleaners). The new product line was launched in small quantities only after the end of Q2, among other things due to the repercussions of the Swords of Iron War, and did not contribute significantly to the Company's revenues in the reporting period.

Seauto is engaged in the development and production of electronic pool cleaners and is the manufacturer of the new product line. The product line that is to be sold under the Niya brand was characterized and tested by Maytronics' teams and will be exclusive to the Company. For further information, including with regard to the future collaboration between the companies, see the Immediate Report of the Company of February 28, 2024 (reference no. 2023-01-020217), which is incorporated by reference.

2.3 **Completion of the acquisition of 30% of ECCXI's stock:** On May 2, 2024, Maytronics US, Inc. (hereinafter: "MTUS"), a wholly owned subsidiary of the Company in North America, entered into an agreement for the acquisition of the remaining stock of ECCXI, LLC (hereinafter: "ECCXI"), a subsidiary of MTUS (70% ownership interest prior to the transaction) and a second-tier subsidiary of the Company, which specializes in e-tailing in the swimming pool market. Following the acquisition, ECCXI is wholly owned (100%) by MTUS. The consideration for the acquisition of the remaining ownership interest, at an amount of USD 16.13 million, was spread over four unequal yearly installments, beginning in 2025, and of the consideration, the final payment of USD 4 million is contingent on the continuing employment of ECCXI's CEO by the company until March 31, 2028. The Company recorded a liability in respect of the deferred consideration of USD 10.3 million at its present value, and in parallel began recording a liability in respect of the contingent consideration. For further information on the transaction and its terms and conditions, see the Immediate Report of the Company of May 5, 2024 (reference no. 2024-01-046920), which is incorporated by reference.

2.4 On June 30, the Company's **order backlog**, which is intended for sale in 2024, amounted to NIS 75.8 million compared to an order backlog of NIS 129.8 million on June 30, 2023, reflecting a decline of 41.6% in orders for the Company's products in relation to last year. The decline in backlog reflects the change in the sales mix and the increase in the share of online sales, which are made directly to the end user and are not reflected in the order backlog. As part of this trend, the volume and nature of inventory buildup in the distribution channel have changed, and a transition to smaller, more frequent orders is evident.

2.5 **Effect of exchange rates** in the reporting period compared to the corresponding period last year:
Changes in the exchange rates of major currencies in the second quarter (three months): The Euro, which accounted for 29% of the Company’s sales, strengthened by an average of 1.1% against the Shekel; the US Dollar, which accounted for 65% of the Company’s sales, strengthened by an average of 2.0% against the Shekel; and the Australian Dollar, which accounted for 5% of the Company’s sales, strengthened by 0.9%.
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 9.9 million in sales, and an increase of NIS 3.8 million in gross profit and of NIS 1.3 million in operating profit. It is noted that in the second quarter, the Company recognized net finance expenses of NIS 1.8 million in respect of foreign currency effects (expenses of foreign currency hedges, offset by foreign exchange gains).

Changes in the exchange rates of the major currencies in the first half (six months): The Euro, which accounted for 31% of the Company’s sales, strengthened by an average of 2.1% against the Shekel; the US Dollar, which accounted for 60% of the Company’s sales, strengthened by an average of 2.4% against the Shekel; and the Australian Dollar, which accounted for 7% of the Company’s sales, remained materially unchanged.
The effect of changes in exchange rates on sales, gross profit and operating profit compared to the corresponding half last year amounted to an increase of NIS 21.9 million in sales, and an increase of NIS 9.3 million in gross profit and of NIS 4.6 million in operating profit.

2.6 **Dividend distribution:** On March 26, 2024, the Board of Directors of the Company declared a final cash dividend for 2023 at a total of NIS 25 million and NIS 0.2278 per share. The dividend was paid on June 27, 2024.
Furthermore, after the reporting period, on August 20, 2024, the Board of Directors decided on an cash dividend for 2024 at a total of NIS 20 million and NIS 0.1822 per share, which will be paid on October 15, 2024.

2.7 **Renewal of the management services agreement between the Company and the controlling shareholder:** On May 8, 2024, the General Meeting of the Company approved the renewal of the management services agreement between the Company and its controlling shareholder, Kibbutz Yizre’el – Workers Group for Cooperative Settlement Ltd. (hereinafter: “**Kibbutz Yizre’el**”), adapting it to the composition of the Board of Directors that was approved at the same meeting as well as the termination and reduction of certain services, as described in the convening report of the General Meeting of March 27, 2024 (reference no. 2024-01-033462), which is incorporated by reference.

2.8 **Change of Chairman of the Board of Directors:** On March 26, 2024, the incumbent Chairman of the Board, Mr. Yonatan Bassi, announced that after serving as Chairman of the Board for 14 years, he wished to step down. Further to the foregoing, after the reporting date, on May 8, 2024, the

General Meeting approved the appointment of Mr. Ron Cohen (his appointment having been recommended to the General Meeting by the Board of Directors), a director of the Company on behalf of Kibbutz Yizre'el, as Mr. Bassi's successor.

2.9 **Impacts of the post-pandemic crisis 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 2023.

2.10 **Israeli government policy:** Further to the contents of section 1.6.11 in the Description of the Corporation's Business for 2023 (regarding "changes in Israel's judicial system"), as of the publication date of the report it remains apparent that due to the state of war and the rulings by the High Court of Justice in the appeals against the proposed judicial reform, the planned changes to Israel's judicial system are no longer a priority for the government, but it remains uncertain as to whether this trend will continue. Company management monitors developments continuously and assesses the implications, if any, on its business. As of the reporting date, the Company estimates that government policy and the planned changes to the judiciary are not expected to have material implications on the Company's business.

2.11 **Effects of the Swords of Iron War on the Company's business:** Further to the contents of section 1.6.6 in the Description of the Corporation's Business for 2023, declaration of a state of war in Israel did not change during and after the reporting period, through to the publication date of the report. On February 9, 2024, Moody's announced a downgrade of Israel's credit rating from A1 to A2 with negative outlook in light of the repercussions of the war and the conduct of the Israeli government, and on May 11, 2024, Moody's affirmed Israel's A2 credit rating while keeping its outlook at negative. On April 19, 2024, S&P Global announced a cut in Israel's long-term ratings to A+ from AA- while keeping the negative outlook. Furthermore, after the reporting date, on August 12, 2024, Fitch Ratings announced a downgrade of Israel's credit rating to A from A+ and assigned Israel a negative credit outlook.

The Company continues to maintain regular operations to the greatest extent possible, in alignment with its work plans. However, in the reporting period several consequences of the war were evident, including, among others, certain delays in the launch of new products – Niya and Skimmi, higher labor costs in production, and increased use of air freight to ship components.

The Company continues to monitor all possible further consequences of the war on its businesses in Israel and abroad.

At present, the development of the war and its scale are uncertain, and the full scope of the impact of the war on the Company and on its results in the medium and long term cannot be estimated.

3. Financial position

Following is a description of the main developments occurring in the line items in the statement of financial position as of June 30, 2024, compared to the statement of financial position as of June 30, 2023 and compared to the statement of financial position as of December 31, 2023 (in NIS thousands).

Item	**June 30**		**December 31**	**Explanations by the Company – balances as of June 30, 2024 compared to June 30, 2023**
	2024	**2023**	**2023**	
	NIS thousands			
Cash and cash equivalents and short-term investments	137,175	169,139	148,764	A slight decline in cash and cash equivalents as part of working capital management and a reduction in interest-bearing credit.
Trade and other receivables	349,061	447,850	234,143	Trade and other receivables were down 22% in light of the decline in revenues, together with an 8% improvement in receivable days in H1.
Trade and other payables	108,429	65,979	82,530	An increase of NIS 42.5 million, largely the result of an increase in prepaid expenses and tax receivables in Israel and the US, and a grant receivable in respect of the Swords of Iron War.
Inventory	894,665	928,376	971,824	A decline of NIS 77 million compared to December 31, 2023 and a decline of NIS 34 million in the balance of inventory as of June 30, 2023, explained as follows: 1. Inventory correction efforts by the Company led to a decline of NIS 115 million (14%) in finished goods inventory (robotic cleaners) and raw material and in-process inventory for robot production compared to June 30, 2023. 2. By contrast, an increase of NIS 82 million in the balance of inventory of related pool products, which is mostly attributed to the growth of business in this segment in ECCXI and purchases of related pool products by ECCXI, on which pre-season discounts were granted. The Company continues to work on adjusting inventory levels to the volume of demand and its production capacity and is applying measures to further reduce its inventory.
Total current assets	**1,489,330**	**1,611,344**	**1,437,261**	

Item	**June 30**		**December 31**	**Explanations by the Company – balances as of June 30, 2024 compared to June 30, 2023**
	2024	**2023**	**2023**	
	NIS thousands			
Long-term debt balances	1,998	1,758	1,364	No significant change.
Fixed assets	237,466	218,026	229,564	The increase in fixed assets is largely the result of investments in the Company's sites in Dalton and Kibbutz Yizre'el, including investments in office buildings and in equipment and machinery.
Right-of-use assets	144,463	138,169	152,361	Right-of-use assets are attributed to the Company's lease agreements, that mainly include buildings and vehicles against the recording of a liability.
Intangible assets	336,227	317,490	317,171	The increase in intangible assets is mainly due to additional development costs that were capitalized between the periods, less depreciation and amortization.
Deferred taxes	28,879	50,021	41,584	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 possible in the future against taxable income. The decline in the tax asset is largely due to timing differences in the Company.
Total non-current assets	**749,033**	**725,464**	**742,044**	
Total assets	**2,238,363**	**2,336,808**	**2,179,305**	

Item	**June 30**		**December 31**	**Explanations by the Company – balances as of June 30, 2024 compared to June 30, 2023**
	2024	**2023**	**2023**	
	NIS thousands			
Bank credit	514,067	568,597	644,702	Short-term credit declined by NIS 54.5 million, and mostly serves to finance the Group's working capital requirements in light of a decline in inventory and trade receivable line items.
Trade payables	190,740	240,698	182,705	Trade payables declined by NIS 50 million, mainly in light of the lower inventory.
Other accounts payable	183,248	168,769	122,364	Other accounts payable rose by NIS 14.5 million, largely due to an increase in the liability to purchasing organizations, countered by a decline due to the valuation of foreign currency transactions and a decline in employees and institutions balances.
Other current liabilities	46,428	86,703	58,138	The decline is largely due to the settlement of deferred liabilities related to the acquisition of consolidated companies and a reduction in provisions.
Non-current liabilities	444,476	370,433	334,514	Most of the increase is attributed to an increase in long-term bank loans and to a deferred liability related to the acquisition of the minority interest in ECCXI (30%).
Total liabilities	**1,378,959**	**1,435,200**	**1,342,423**	
Equity attributable to shareholders of the Company	**804,258**	**826,561**	**758,224**	The Company's equity before attribution to non-controlling interests as of June 30, 2024 constitutes 35.9% of total assets on the statement of financial position, compared to 35.4% last year. The relative decline in equity is mainly the result of recording a capital reserve from transactions with non-controlling interests following the acquisition of the minority interest in ECCXI in the reporting period, countered by an increase in the Company's earnings, offset by payment of a dividend.
Non-controlling interests	**55,146**	**75,047**	**78,658**	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 reporting period.
Total equity	**859,404**	**901,608**	**836,882**	
Total liabilities and equity	**2,238,363**	**2,336,808**	**2,179,305**	

3.1 **Liquidity ratios**

	June 30, 2024	June 30, 2023
Working capital (NIS thousands)	554,847	546,577
Current ratio	1.59	1.51
Quick ratio	0.64	0.64

An increase in the Company's working capital and the current ratio compared to June 30, 2023, due to a relative decline in short-term credit and current liabilities countered by a decline in the balance of receivables and inventory.

4. Operating results in NIS thousands

Following are the condensed income statements for the first half and second quarter of 2024 and 2023:

Item	January-June 2024	January-June 2023	April-June 2024	April-June 2023
Sales revenue	1,063,132	1,253,725	607,170	729,300
Gross profit **Gross margin**	424,928 40.0%	547,790 43.7%	247,577 40.8%	307,017 42.1%
Operating profit **Operating margin**	133,512 12.6%	245,473 19.6%	73,304 12.1%	128,637 17.6%
Net profit **Net margin**	82,960 7.8%	181,224 14.5%	43,277 7.1%	92,799 12.7%

Following is an analysis of revenue and gross profit, according to quarterly segment reporting						
	For the three months ended June 30		**For the three months ended June 30**			
	2024		**2023**			
1. Segment revenues:	**NIS thousands**	**% of total revenues**	**NIS thousands**	**% of total revenues**	**% change**	**Explanations**
Residential pool cleaners	423,649	69.8%	577,904	79.2%	(26.7%)	See the explanations for the decline in revenues in section 2.1 above.
Public pool cleaners	32,788	5.4%	36,167	5.0%	(9.3%)	The decline is largely attributed to the fact that in the corresponding quarter sales in the public segment were up 53%, reflecting extraordinary growth following the recovery of the hotel and tourism industry on the emergence from COVID-19.
Safety products and related pool products	150,733	24.8%	115,229	15.8%	(30.8%)	Growth is largely due to growth in sales of related pool products by ECCXI and by the subsidiary in Australia. For further information, see section 2.1 above.
Total revenues	**607,170**	**100.0%**	**729,300**	**100.0%**	**(16.7%)**	
2. Segment results:	**NIS thousands**	**Gross margin**	**NIS thousands**	**Gross margin**	**% change**	
Residential pool cleaners	183,313	43.3%	247,951	42.9%	(26.1%)	The decline in gross profit is attributed to revenue decline. The successful reduction of product component costs enabled gross margin growth despite the negative effects of the lower ASP (average selling price) following the adjustment of the sell-out prices of several models last year.
Public pool cleaners	18,427	56.2%	19,854	54.9%	(7.2%)	The decline in gross profit is attributed to revenue decline. Gross margin growth is attributed to price increases implemented in the segment in key territories.
Safety products and related pool products	45,837	30.4%	39,212	34.0%	16.9%	Revenue growth led to an increase in gross profit. The decline in the gross margin is largely attributed to the product mix sold, higher operating costs in the production of pool covers in France, and the expansion of infrastructure in ECCXI.
Gross profit	**247,577**	**40.8%**	**307,017**	**42.1%**	**(19.4%)**	

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

	For the six months ended June 30 2024		For the six months ended June 30 2023			
1. Segment revenues:	**NIS thousands**	**% of total revenues**	**NIS thousands**	**% of total revenues**	**% change**	**Explanations**
Residential pool cleaners	788,864	74.2%	1,009,024	80.5%	(21.8%)	See the explanations for the decline in revenues in section 2.1 above.
Public pool cleaners	58,228	5.5%	69,727	5.5%	(16.5%)	The decline is largely attributed to the fact that in the corresponding period sales in the public segment were up 60%, reflecting extraordinary growth following the recovery of the hotel and tourism industry on the emergence from COVID-19.
Safety products and related pool products	216,040	20.3%	174,974	14.0%	23.5%	Growth is largely due to growth in sales of related pool products by ECCXI and by the subsidiary in Australia. For further information, see section 2.1 above.
Total revenues	**1,063,132**	**100.0%**	**1,253,725**	**100.0%**	**(15.2%)**	
2. Segment results:	**NIS thousands**	**Gross margin**	**NIS thousands**	**Gross margin**	**% change**	
Residential pool cleaners	328,232	41.6%	447,866	44.4%	(26.7%)	The decline in the gross margin is mostly attributed to Q1, which was affected by the lower ASP, among other things due to the adjustment of the sell-out prices of several models in mid-2023, and to higher operating costs as a result of lower production volumes. These effects were partially offset, mainly in Q2, by the successful reduction of product component costs.
Public pool cleaners	31,722	54.6%	38,309	54.9%	(17.1%)	The decline in gross profit is attributed to revenue decline.
Safety products and related pool products	64,924	30.1%	61,615	35.2%	5.4%	Growth in gross profit is attributed to revenue growth. The decline in the gross margin is largely attributed to the product mix sold, higher operating costs in the production of pool covers in France, and the expansion of infrastructure in ECCXI.
Gross profit	**424,928**	**40.0%**	**547,790**	**43.7%**	**(22.4%)**	

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

Item	**For the three months ended June 30, 2024**	**For the three months ended June 30, 2023**	**% change**	**Main explanations**
Research and development expenses	11,925	13,396	(11.0%)	The decline in development costs is mainly attributed to development work in the pool water monitoring, control and treatment segment in light of focused development efforts in this sphere. Development costs in the segment were NIS 1.4 million.
Selling and marketing expenses	124,721	124,512	-	Selling and marketing expenses were essentially unchanged quarter-on-quarter. On one hand, shipping rates and the cost of wages and accompanying benefits declined, whereas on the other, the Company recorded expenses in respect of marketing campaigns and sales promotion, mostly in ECCXI. Rising exchange rates in the period contributed a further NIS 2.2 million.
General and administrative expenses	37,578	40,472	(7.2%)	A decline of NIS 2.9 million, largely as a result of a decline in the cost of wages and accompanying benefits as well as in IT expenses related to licenses.
Other expenses	49	-		
Operating profit	**73,304**	**128,637**	**(43.0%)**	The decline is mainly due to revenue decline and the lower gross profit margin.
Finance expenses, net	18,744	17,325	8.2%	The increase in net finance expenses is mainly due to the effect of changes in exchange rates on foreign currency balances and the valuation of hedging transactions, as well as the positive valuation of securities in the corresponding period last year.
Income before taxes	**54,560**	**111,312**	**(51.0%)**	The decline is the result of the lower operating profit.
Taxes on income	11,283	18,513	(39.1%)	The effective tax rate rose in the current quarter following a change in the profit mix between the companies in the Group.
Net income	**43,277**	**92,799**	**(53.4%)**	

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

Item	For the six months ended June 30, 2024	For the six months ended June 30, 2023	% change	Main explanations
Research and development expenses	24,298	30,193	(19.5%)	The decline in development costs is mainly attributed to development work in the pool water monitoring, control and treatment segment in light of focused development efforts in this sphere. Development costs in the segment in the reporting period were NIS 3.9 million.
Selling and marketing expenses	193,910	195,130	(0.6%)	Selling and marketing expenses declined slightly between the periods. Shipping rates and the cost of wages and accompanying benefits were lower, whereas expenses in respect of marketing campaigns and sales promotion rose, mostly for the business of ECCXI. Rising exchange rates in the period contributed a further NIS 3.4 million.
General and administrative expenses	73,058	76,994	(5.1%)	A decline of NIS 3.9 million, largely due to a decline in the cost of wages and accompanying benefits.
Other expenses	150	-		
Operating profit	**133,512**	**245,473**	**(45.6%)**	The decline is mainly due to revenue decline and the lower gross profit margin.
Finance expenses, net	29,032	35,678	(18.6%)	The lower net finance expenses are mainly due to the effect of changes in exchange rates on foreign currency balances and the valuation of hedging transactions: in the reporting period, income of NIS 2.8 million from foreign currency valuation and foreign currency transactions was generated, compared to a net expense of NIS 7 million last year.
Income before taxes	**104,480**	**209,795**	**(50.2%)**	The decline is the result of the lower operating profit.
Taxes on income	21,520	28,571	(24.7%)	The effective tax rate rose in the reporting period following a change in the profit mix between the companies in the Group.
Net income	**82,960**	**181,224**	**(54.2%)**	

5. Cash flows

Item	For the six months ended June 30		For the three months ended June 30		Explanations
	2024	2023	2024	2023	
	NIS thousands				
Cash flows provided by operating activities	156,144	84,323	225,466	270,084	The increase in cash flows provided by operating activities in H1 is largely the result of tighter and more efficient working capital management in the Group.
Cash flows used in investing activities	(64,407)	(48,110)	(42,108)	(27,046)	Most of the increase is attributed to payment of a contingent liability related to the acquisition of a consolidated company.
Cash flows used in financing activities	(101,981)	(4,793)	(151,658)	(213,423)	Most of the increase in cash flows used in financing activities in H1 is the result of lower credit levels and the repayment of loans due to cash flow provided by operating activities, compared to an increase in credit levels in the corresponding period.
Exchange rate differences on cash and cash equivalents	(1,593)	(2,699)	921	(2,070)	
Translation differences on cash and cash equivalents	(180)	1,263	(1,092)	1,896	
Increase (decrease) in cash and cash equivalents	**(12,017)**	**29,984**	**31,529**	**29,441**	
Cash and cash equivalents at end of period	**118,027**	**150,875**	**118,027**	**150,875**	

B. Market risk exposure and management methods

1. The Company's Market Risk Manager:
   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 2023 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. 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. The corporation's policy regarding management of the aforementioned 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). In addition, 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 as well as the investment of reserves. 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 June 30, 2024

	USD-linked	EUR-linked	AUD-linked	CPI-linked	Unlinked and other	Non-financial instru-ment	Total
	NIS thousands						
Assets							
Cash and cash equivalents	57,619	43,388	15,168	-	1,852	-	118,027
Short-term investments	256	-	-	7,752	11,140	-	19,148
Trade receivables, net	148,539	157,530	25,916	-	17,076	-	349,061
Other accounts receivable	25,042	10,187	7,657	-	65,543	-	108,429
Inventory	-	-	-	-	-	894,665	894,665
Long-term deposits and debit balances	-	732	1,266	-	-	-	1,998
Fixed assets, net	-	-	-	-	-	237,466	237,466
Right-of-use assets, net	-	-	-	-	-	144,463	144,463
Intangible assets, net	-	-	-	-	-	336,227	336,227
Deferred taxes, net	-	-	-	-	-	28,879	28,879
Total assets	**231,456**	**211,837**	**50,007**	**7,752**	**95,611**	**1,641,700**	**2,238,363**
Liabilities							
Short-term credit	123,986	3,373	14,757	-	371,951	-	514,067
Trade payables	102,217	17,905	4,994	-	65,624	-	190,740
Other accounts payable	22,670	33,395	8,337	-	129,067	-	193,469
Lease liabilities	-	-	-	-	-	153,970	153,970
Deferred liability for purchase of shares of a subsidiary	39,184	-	-	-	-	-	39,184
Deferred taxes	-	-	-	-	-	2,109	2,109
Liabilities in respect of employee benefits, net	583	-	-	-	-	3,216	3,799
Other liabilities	46,842	7,380	833	-	226,566	-	281,621
Total liabilities	**335,482**	**62,053**	**28,921**	**-**	**793,208**	**159,295**	**1,378,959**
Net balance	**(104,026)**	**149,784**	**21,086**	**7,752**	**(697,597)**	**1,482,405**	**859,404**

Statement of financial position according to linkage bases on June 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	52,938	59,703	36,736	-	1,498	-	150,875
Short-term investments	74	-	-	7,512	10,678	-	18,264
Trade receivables, net	210,791	197,784	24,291	-	14,984	-	447,850
Other accounts receivable	10,201	4,054	6,109	-	45,615	-	65,979
Inventory	-	-	-	-	-	928,376	928,376
Long-term deposits and debit balances	-	711	1,020	-	27	-	1,758
Fixed assets, net	-	-	-	-	-	218,026	218,026
Right-of-use assets, net	-	-	-	-	-	138,169	138,169
Intangible assets, net	-	-	-	-	-	317,490	317,490
Deferred taxes, net	-	-	-	-	-	50,021	50,021
Total assets	**274,004**	**262,252**	**68,156**	**7,512**	**72,802**	**1,652,082**	**2,336,808**
Liabilities							
Short-term credit	357,205	3,295	12,738	-	195,359	-	568,597
Trade payables	129,589	19,258	2,819	-	89,032	-	240,698
Other accounts payable	45,134	35,712	5,930	-	110,938	-	197,714
Lease liabilities	-	-	-	-	-	145,777	145,777
Deferred liability for purchase of shares of a subsidiary	29,792	-	-	-	-	-	29,792
Deferred taxes	-	-	-	-	-	2,212	2,212
Liabilities in respect of employee benefits, net	-	-	-	-	-	3,722	3,722
Contingent consideration for purchase of shares of a subsidiary	13,786	-	-	-	-	-	13,786
Other liabilities	17,072	10,737	804	-	204,289	-	232,902
Total liabilities	**592,578**	**69,002**	**22,291**	**-**	**599,618**	**151,711**	**1,435,200**
Net balance	**(318,574)**	**193,250**	**45,865**	**7,512**	**(526,816)**	**1,500,371**	**901,608**

Ron Cohen Chairman of the Board	Sharon Goldenberg Chief Executive Officer	August 20, 2024 Date of approval of the Board of Directors' Report

Unofficial Translation from Hebrew

MAYTRONICS LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2024

NIS in thousands

(UNAUDITED)

MAYTRONICS LTD.

CONSOLIDATED BALANCE SHEETS

	June 30,		December 31,
	2024	2023	2023
	Unaudited		Audited
	NIS in thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	118,027	150,875	130,044
Short-term investments	19,148	18,264	18,720
Trade receivables, net	349,061	447,850	234,143
Other accounts receivable	108,429	65,979	82,530
Inventory	894,665	928,376	971,824
	1,489,330	1,611,344	1,437,261
NON-CURRENT ASSETS:			
Long-term receivables	1,998	1,758	1,364
Fixed assets, net	237,466	218,026	229,564
Right-of-use assets, net	144,463	138,169	152,361
Intangible assets, net	336,227	317,490	317,171
Deferred taxes, net	28,879	50,021	41,584
	749,033	725,464	742,044
	2,238,363	2,336,808	2,179,305

CONSOLIDATED BALANCE SHEETS

	June 30, 2024	June 30, 2023	December 31, 2023
	Unaudited	Unaudited	Audited
	NIS in thousands		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks	514,067	568,597	644,702
Current maturities of lease liability	27,618	27,966	28,070
Current maturities of deferred liability of acquired subsidiary	8,589	29,792	-
Deferred contingent consideration from acquired subsidiary	-	-	11,548
Trade payables	190,740	240,698	182,705
Income taxes payable	1,388	7,437	1,610
Other accounts payable	183,248	168,769	122,364
Provisions	8,833	21,508	16,910
	934,483	1,064,767	1,007,909
NON- CURRENT LIABILITIES:			
Loans from banks	275,385	226,037	190,409
Lease liability	126,352	117,811	132,637
Deferred Contingent consideration from acquired subsidiary	-	13,786	-
Deferred liability of acquired subsidiary	30,595	-	-
Employee benefit liabilities, net	3,799	3,722	2,991
Other long-term liabilities	6,236	6,865	6,786
Deferred taxes	2,109	2,212	1,691
	444,476	370,433	334,514
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Share capital	11,260	11,254	11,257
Share premium	119,397	118,573	119,018
Treasury shares	(500)	(500)	(500)
Retained earnings	665,116	684,018	609,428
Capital reserve from share-based payment transactions	35,582	23,867	30,775
Capital reserve from transactions with controlling shareholder	164	164	164
Capital reserve from remeasurement of defined benefit plans	1,038	388	1,038
Revaluation surplus	2,147	2,147	2,147
Capital reserve from transactions with non-controlling interests	(28,545)	(6,895)	(6,895)
Adjustments arising from translating financial statements of foreign operations	(1,401)	(6,455)	(8,208)
	804,258	826,561	758,224
Non-controlling interests	55,146	75,047	78,658
Total Equity	859,404	901,608	836,882
	2,238,363	2,336,808	2,179,305

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2024	2023	2024	2023	2023
	Unaudited				Audited
	NIS in thousands (except earnings per share data)				
Revenues from sales	1,063,132	1,253,725	607,170	729,300	1,889,565
Cost of sales	638,204	705,935	359,593	422,283	1,099,640
Gross profit	424,928	547,790	247,577	307,017	789,925
Research and development expenses	24,298	30,193	11,925	13,396	55,060
Selling and marketing expenses	193,910	195,130	124,721	124,512	332,562
General and administrative expenses	73,058	76,994	37,578	40,472	144,339
Other (income), net	150	-	49	-	(268)
Operating income	133,512	245,473	73,304	128,637	258,232
Financial income	23,785	40,499	23,058	13,162	33,166
Financial expenses	(52,817)	(76,177)	(41,802)	(30,487)	(99,505)
Income before taxes	104,480	209,795	54,560	111,312	191,893
Taxes on income	21,520	28,571	11,283	18,513	28,334
Net income	82,960	181,224	43,277	92,799	163,559
Adjustments arising from translating financial statements of foreign operations	9,398	20,590	7,119	9,497	18,323
Remeasurement loss from defined benefit plans	-	-	-	-	650
Total other comprehensive income	9,398	20,590	7,119	9,497	18,973
Total comprehensive income	92,358	201,814	50,396	102,296	182,532
Net income attributable to:					
Equity holders of the Company	80,688	172,839	42,108	87,327	148,249
Non-controlling interests	2,272	8,385	1,169	5,472	15,310
	82,960	181,224	43,277	92,799	163,559
Total comprehensive income attributable to:					
Equity holders of the Company	89,252	190,104	47,610	94,955	164,411
Non-controlling interests	3,106	11,710	2,786	7,341	18,121
	92,358	201,814	50,369	102,296	182,532
Net basic earnings per share attributable to equity holders of the Company (in NIS):	0.74	1.58	0.38	0.80	1.35
Net diluted earnings per share attributable to equity holders of the Company (in NIS):	0.74	1.58	0.38	0.80	1.35

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year Ended December 31,
	2024	2023	2024	2023	2023
	Unaudited				Audited
	NIS in thousands				
Cash flows from operating activities:					
Net income	82,960	181,224	43,277	92,799	163,559
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Adjustments to the profit or loss items:					
Taxes on income	17,654	30,470	13,175	23,732	40,840
Deferred taxes, net	13,380	(7,301)	5,757	4,601	548
Financial expenses, net	31,332	29,933	15,589	17,180	62,045
Depreciation and amortization	45,999	40,178	22,544	19,205	88,426
Impairment of an intangible asset	-	-	-	-	10,600
Cost of share-based payment	5,186	6,355	2,651	3,244	13,708
Revaluation of options to Kibbutz members	(192)	(17)	(80)	(152)	(140)
Increase (decrease) in employee benefits liabilities, net	798	(537)	692	(720)	(618)
Interest accrued on long-term deposit and exchange differences from investments	(606)	68	(605)	103	166
Capital loss (gain) from sale of fixed assets	124	(27)	8	(27)	(183)
Revaluation of securities measured at fair value through profit or loss, net	(254)	(302)	68	(365)	(663)
Revaluation of derivatives, net	9,576	10,823	11,860	(13,757)	(30,550)
	-	-	-	-	(1,865)
Exchange differences from cash and cash equivalents	1,593	2,699	(921)	2,070	(25)
	124,590	112,342	70,738	55,114	182,289
Changes in asset and liability items:					
Decrease (increase) in trade receivables	(109,912)	(246,932)	145,558	131,347	(40,889)
Increase in other accounts receivable (including long-term)	(32,561)	(925)	(12,137)	(10,308)	(10,394)
Decrease in inventories	96,738	123,220	91,449	134,556	67,179
Decrease in trade payables	(7,626)	(25,164)	(106,649)	(55,494)	(73,916)
Increase (decrease) in other accounts payable, provisions and taxes payable	49,029	(1,541)	20,282	(38,847)	(23,471)
Increase in other liabilities	1,912	2,502	1,712	1,829	2,903
	(2,420)	(148,840)	140,215	163,083	(78,588)
Cash paid and received during the period for:					
Interest and dividend received	180	204	98	96	459
Interest paid	(31,512)	(30,137)	(15,687)	(17,276)	(62,504)
Taxes paid	(17,654)	(30,470)	(13,175)	(23,732)	(40,840)
	(48,986)	(60,403)	(28,764)	(40,912)	(102,885)
Net cash provided by operating activities	156,144	84,323	225,466	270,084	164,375

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30, 2024	Six months ended June 30, 2023	Three months ended June 30, 2024	Three months ended June 30, 2023	Year ended December 31, 2023
	Unaudited				Audited
	NIS in thousands				
Cash flows from investing activities:					
Purchase and capitalization of intangible assets	(28,648)	(24,049)	(15,931)	(14,747)	(48,723)
Purchase of fixed assets	(24,239)	(29,952)	(14,522)	(16,280)	(61,809)
Proceeds from sale of fixed assets	421	103	193	103	476
Receipt from investment grants	-	3,734	-	3,734	3,734
Repayment of deferred liability of acquired subsidiary	-	-	-	-	(27,123)
	(11,767)	-	(11,767)	-	-
Reimbursement of deferred liability of acquired subsidiary	-	2,399	-	303	-
Purchase of securities measured at fair value through profit or loss, net	(174)	(345)	(81)	(159)	(440)
Net cash used in investing activities	(64,407)	(48,110)	(42,108)	(27,046)	(133,885)
Cash flows from financing activities:					
Proceeds from exercise of options	3	25	1	11	28
Receipt of short-term credit, net	(161,249)	77,868	(194,869)	(154,151)	159,999
Receipt of long-term loans	149,225	12,056	104,225	12,056	12,056
Repayment of long-term loan	(39,419)	(34,758)	(21,137)	(18,244)	(69,409)
Dividend paid to shareholders of the Company	(25,000)	(44,000)	(25,000)	(44,000)	(94,000)
Dividend paid to non-controlling interests	(11,501)	(1,840)	(8,434)	(1,840)	(4,640)
Repayment of lease liability	(14,040)	(14,144)	(6,444)	(7,255)	(29,443)
Net cash used in financing activities	(101,981)	(4,793)	(151,658)	(213,423)	(25,409)
Exchange differences on balances of cash and cash equivalents	(1,593)	(2,699)	921	(2,070)	25
Translation differences from cash balances of foreign operations	(180)	1,263	(1,092)	1,896	4,047
Increase (decrease) in cash and cash equivalents	(12,017)	29,984	31,529	29,441	9,153
Cash and cash equivalents at the beginning of the period	130,044	120,891	86,498	121,434	120,891
Cash and cash equivalents at the end of the period	118,027	150,875	118,027	150,875	130,044
(A) Significant non-cash transactions:					
Purchase of fixed assets and intangible assets on credit	2,341	4,666	2,341	4,666	3,368
Recognition of the right of use assets against lease liability	7,577	7,449	6,393	4,524	37,891
Deferred liability of acquisition subsidiary	38,524	-	38,524	-	-