Unofficial Translation from Hebrew

Maytronics Ltd.

Periodic Report for 2023

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Chapter A: Description of the General Development of the Company's Business

1.1 The Company's activities and description of the development of its business

Maytronics Ltd. (hereinafter: the "**Company**") was incorporated as a limited liability company in December 1990, by Kibbutz Yizre'el - Workers Group for Cooperative Settlement Ltd. (hereinafter: the "**Kibbutz**") and by Yizre'el Industries - a limited partnership controlled by the Kibbutz. The Company went public in 2004 and was listed on the Tel Aviv Stock Exchange (TASE). The Company's activities focus on the development, production, marketing, distribution, sale and technical support of swimming pool equipment, including robotic cleaners for private and public pools, automatic swimming pool covers, alarms and drowning detection systems, and other supplementary products in the swimming pool water treatment segment. The Company's manufacturing operations are mainly in Israel and in Europe, and it markets its products all over the world. The Company's business operations are mostly based on exports, and around 98% of the Company's revenues are in respect of sales of products and services outside of Israel. The Company is considered a global leader in the private swimming pool robotic cleaner segment. For information on the characteristics of the competition and the global market share analysis, see section 2.1.6 below. The Company's sales are performed through distributors in each country. The Company has subsidiaries in strategic territories that are engaged in marketing, distribution, service and sales of the Company's products in the various channels (as specified in section 3.2 below). The subsidiaries in France and Australia are also engaged in the production of related pool products and equipment.

The Company's sales are characterized by seasonality, whereby 66% of sales, and most of the profits, are concentrated in the first half of the year. This seasonality arises from the fact that most of the Company's sales are targeted to the Northern Hemisphere, where most private pools open in the months of April-May, and close in September. The Company's customers (mostly distributors) in Europe and in the United States order most of the products beginning in December/January, until July.

For years, the Company has demonstrated growth in the private pool sector, and is preparing for continued growth in all operating segments, as a global company (as specified below in this report). Since 2010, the Company achieved double-digit organic growth each year. The growth rate was accelerated during the pandemic, from 2020 to 2022, when the Company grew by an average of 30% each year. In 2023, the Company experienced a decline in the pace of growth as a result of several external factors, as described in the Board of Directors' Report for the reporting year.

The Company is currently active abroad through seven subsidiaries, as follows:

(1) A wholly owned subsidiary of the Company in the United States, Maytronics U.S. Inc.[1] (hereinafter: "**MTUS**"), which is primarily engaged in marketing, distribution and servicing of robotic cleaners for private and public pools and is based in Atlanta, Georgia – a major logistics center in the United States. MTUS allows the Company to be close to the pool market in the United States, while controlling the marketing, distribution and services provided for its products

[1] A Delaware corporation.

(for additional details regarding the integration of MTUS into the Company's marketing and service departments, see section 3.2 below).

(2) ECCXI, LLC (hereinafter: "**ECCXI US**"), a subsidiary of MTUS in the United States, in which MTUS acquired a 70% stake in 2022. ECCXI US operates a business mainly known by its commercial name, Backyard, which specializes in eCommerce in the US pool market.

ECCXI US was established in 2010 and has a meaningful presence in online marketplaces such as Amazon, Walmart, eBay and others, enabling the Company to realize a strategy that focuses on digital transformation and on strengthening the brand among consumers (for further information on the integration of ECCXI into the Company's strategy, see section 3.2.2 below).

(3) A subsidiary in France, MG International S.A., with the commercial name of Maytronics France (hereinafter: "**MTFR**"). The subsidiary MTFR is traded on Euronext Growth Paris, and is engaged in the marketing, distribution and servicing of robotic cleaners for private and public pools and private pool alarms; in the development, production, marketing and service of automatic covers for private swimming pools; and in the development, marketing, production and support of drowning detection systems for public pools. Like MTUS, MTFR also increases the Company's access to the pool market in France while controlling the method of marketing, distribution and service provided for its products (for additional details regarding MTFR, its products, and its integration into the Company, see Chapters B and C below).

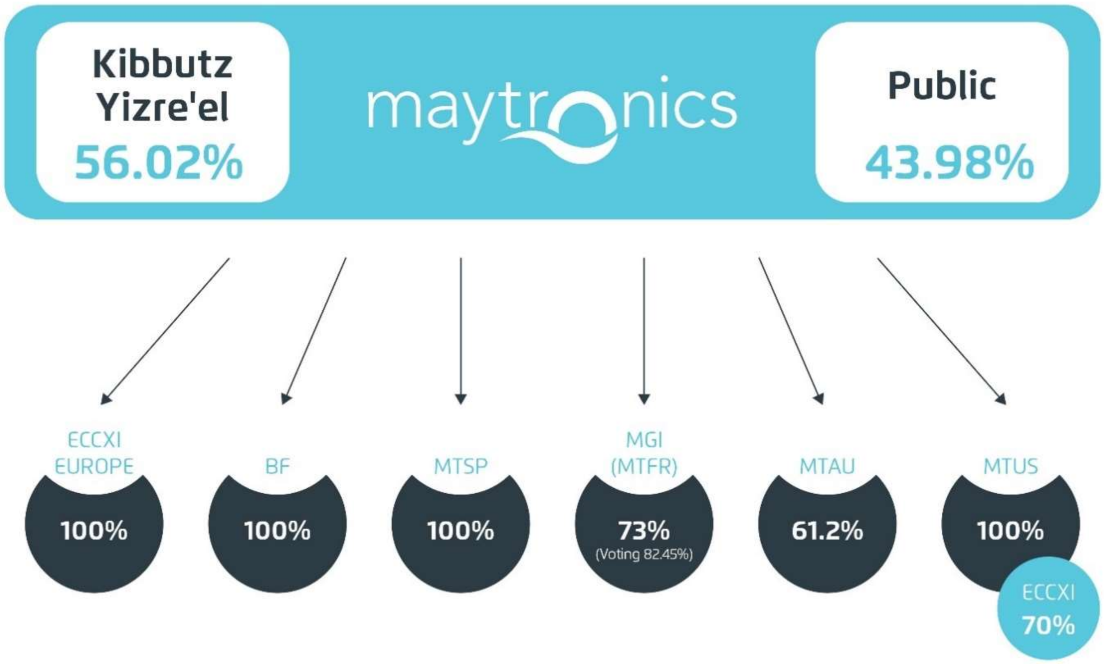
(4) A subsidiary in Australia, Maytronics Australia Pty Ltd. (hereinafter: "**MTAU**"). The subsidiary MTAU was formed in 2011, in accordance with the Company's strategy of expanding its activities into the Southern Hemisphere in general, and Australia in particular. MTAU is engaged in the sale, marketing and servicing of the Company's products, and in a limited number of additional pool products. The Company holds 61.2% of MTAU's shares, while the remainder of its shares (38.8%) are held by the Company's Australian managers (for additional details regarding MTAU, its products and its integration into the Company, see Chapters B and C below).

(5) A wholly owned subsidiary in Germany, Bünger & Frese GmbH (hereinafter: "**BF**"), acquired by the Company in June 2020. BF specializes in sales to pool builders and eCommerce players, and has been engaged for many years in the distribution of robotic pool cleaners (for the past 15 years, those manufactured by the Company) and of a wide variety of related pool products. BF supports the Company in promoting sales of its products in German-speaking markets and in Northern Europe.

(6) A wholly owned subsidiary in Spain, Maytronics Spain and Portugal S.L. (hereinafter: "**MTSP**"), established by the Company in November 2020. MTSP does not sell the Company's products itself but works as a marketing arm that focuses on sales promotion in Spain and Portugal, and on providing technical support services to the Company's distributors and dealers.

(7) ECCXI Europe Ltd. (hereinafter: "**ECCXI Europe**"), wholly owned by the Company and established in Israel in late 2023. As of the end of the reporting year, the subsidiary had not yet become operational. ECCXI Europe was founded with the main objective of operating an online sales platform in Europe and launched its commercial activity after the reporting date, in March 2024.

Diagram of the Company's holding structure as of December 31, 2023



* In accordance with MTFR's articles of association, MTFR shares which are fully paid-up and registered in the names of their holders, confer upon their holders double voting rights, if the same registered shareholder has held them for over two years. Accordingly, the Company holds 82.45% of the voting rights in MTFR.

1.2 Operating segments

As of December 31, 2023, the Company is engaged in three main areas of activity, which are reported as operating segments in its financial statements:

(1) **The private pool robotic cleaner segment:** Development, production, marketing and sale of robotic cleaners for private swimming pools; The development and production of the products in this segment, and in the public pools operating segment (see below), are carried out by the Company, while the marketing and sale of the products are handled by the Company's headquarters in Israel and through the Company's distributors around the world, and by its subsidiaries in the United States, France, Australia, Germany and Spain.

(2) **The public pool robotic cleaner segment:** Development, production, marketing and sales of robotic cleaners for public pools.

(3) **Safety products and related pool products segment -** This segment includes three sub-segments:

- The safety products sub-segment, which is mainly operated by MTFR, and which includes the following products: alarms and other systems for the detection and prevention of drowning in private and public swimming pools.
- The automatic pool covers sub-segment, also operated by MTFR.

- The accessories sub-segment of products for monitoring, control and treatment of swimming pool water, pumps, filters, water heaters, chemicals to clean the water and others, which includes products distributed by the Company through its subsidiaries and online in North America through ECCXI US, as well as advanced R&D on systems for the monitoring, control and treatment of swimming pool water using new technologies.

1.3 Transactions in the Company's shares

There were no reportable transactions in the Company shares in the reporting year.

1.4 Dividend distribution

1.4.1 **Dividend distribution**

In the reporting year and the prior year, the Company distributed dividends as follows:

Distribution date	Type of distribution	Amount per share (NIS)	Total amount (NIS)
March 23, 2022	Cash	0.5492	60 million
August 16, 2022	Cash	0.5946	65 million
March 21, 2023	Cash	0.4015	44 million
August 15, 2023	Cash	0.4558	50 million

1.4.2 Balance of distributable earnings as of the reporting date: **NIS 609,428 thousand**.

1.5 Financial information on the Company's operating segments

1.5.1 Updated financial data by operating segment -

See Note 29 to the Financial Statements and section 4 in the Board of Directors' report for explanations regarding the operating results.

1.5.2 Explanations regarding developments in the above data -

A review of the above financial data indicates several prominent trends, as described below:

A. The private pool cleaner segment is the main segment, and sales in this segment accounted for 82% of total sales in the years 2021-2023. The gross margin in this segment in 2021-2023 was 41.5%.

B. In 2021-2023, the public pool cleaner segment accounted for 6% of the Company's total sales mix. The gross margin in this segment in 2021-2023 was 54.5%.

C. The safety products and related pool products segment in the years 2021-2023 accounted for 12% of total sales, and the gross margin in this segment in 2021-2023 was 34.4%.

See Note 29 to the Financial Statements and the Board of Directors' report for explanations regarding the allocation of costs, profitability, assets and liabilities between the operating segments.

Explanations regarding developments which occurred in each of the segments are provided in section 4 in the Board of Directors' report.

1.6 Economic environment and effect of external factors on the Company's activities

Presented below are several factors in the Company's macro-economic environment which may affect its activities:

1.6.1 **Saving resources and environmental considerations ("green" trends)**

Trends which may affect the pool segment include the industry's efforts to reduce the use of chemicals, and to save water and electricity. For example, in many countries pool pumps are now being replaced with pumps capable of operating at different speeds to save electricity. In the United States, a federal law entered into effect in July 2021, which requires the installation of variable speed pumps in all inground pools, in order to save energy (and prohibits the installation of fixed speed pumps in inground pools). Sand filters are being replaced with cartridge filters and filters with glass media to reduce the loss of water due to filter backwash, thereby saving a great deal of water which would otherwise be wasted. Solar energy has also been integrated into the industry, along with other indicators demonstrating the actual implementation of "green" trends. Both robots and automatic covers significantly contribute to the advancement of these trends, and these products are expected to grow beyond the segment's usual growth rate in all territories. The Company is also investing efforts to add supplementary products which are consistent with these "green" trends. The Company is developing products based on advanced technologies and applications supported by data and analytics to allow pool owners to manage the water quality of their pools, and the supporting systems, in the best way possible. For additional details, see section 2.3.1 below.

The information presented above in this section, i.e., the information regarding future "green" trends and the possibility of their integration by the Company, constitutes **forward-looking information**, and as such is uncertain, and may not materialize, or may materialize differently than expected. This information is based on the Company's estimates regarding the fit of its products with "green" trends, and on the estimates of entities engaged in this sector. However, the forecasts presented above may not materialize, or may materialize only partially, if laws are enacted which require the closure and non-operation of pools, if the cost of implementing them is unprofitable for the Company, if changes occur in the aforementioned "green" trends, or insofar as the Company encounters difficulties in completing the development of its products in the water quality treatment segment, or due to other risk factors applying to the Company, as specified in section 3.22 below.

1.6.2 **Exchange rate volatility**

Approximately 98.5% of the Company's sales and 50% of the Company's inputs are in foreign currency. The Company's main foreign currencies are the Euro (EUR), US Dollar (USD) and Australian Dollar (AUD). Most of the Company's foreign currency exposure is due to changes in the NIS against the EUR, AUD and USD. Exchange rate volatility may affect the Company's financial results.

In the full-year period compared to last year, the USD exchange rate rose by an average of 8.5%, the AUD rose by 6.2%, and the EURO rose by an average of 10.8%. The effect of changes in currency exchange rates in 2023 compared to the corresponding period amounted to an increase of NIS 152 million in sales, an increase of NIS 83 million in gross profit, and an increase of NIS 63 million in operating profit.

Since significant exchange rate volatility may, as stated above, have adverse effects on the Company – the Company's policy is to hedge this exposure, from time to time, through financial hedging transactions. These transactions are intended to protect the Company, both against cash flow exposure and balance sheet exposure, and come in addition to other actions taken by the Company (such as hedging by adjusting the structure of the Company's assets and liabilities in foreign currency) to reduce the abovementioned foreign currency exposure in the balance sheet, and to reduce foreign currency fluctuations in the Company's statement of income. The Company's policy regarding foreign currency hedging may change from time to time in accordance with the Company's business considerations, including the cost of hedging transactions and the Company's estimates regarding the relevant exposure.

1.6.3 **Climate conditions**

The volatility and instability of seasonal changes are factors which affect the seasonal market in which the Company operates.

Cold and long winters in all regions, but mainly in Europe and/or in the United States, may result in delays in the execution of orders by the Company's distributors and customers, and in decreased rates of orders received in the second and third quarters in the Northern Hemisphere and in the fourth and first quarters in the Southern Hemisphere, and vice versa – long, hot summers may increase demand. This climate phenomenon may therefore affect the Company's sales and revenues (both positively and negatively) in a manner which is beyond the Company's control.

Additionally, extreme climate events, such as hurricanes, wildfires, typhoons and floods, may affect the demand for the Company's products in an unpredictable manner, and affect the supply of certain raw materials.

The Company aims to build an operational system which is as flexible as possible to enable it to respond quickly to sharp increases and/or decreases in demand and to deliver "just-in-time". For this purpose, inter alia, in previous years the Company worked on expanding and upgrading its production sites to be able to meet the demand. It is noted that the impact of weather on the demand for the Company's products is smaller than its impact on other products in the industry, since today most swimming pools remain filled with water all year long and require cleaning in the winter as well.

The information presented above in this section, i.e., the information regarding the implications of global climate change on the demand for the Company's products and the Company's ability to contend with them, constitutes **forward-looking information**, and as such is uncertain, and may not materialize, or may materialize differently from the forecast. This information is based on the Company's experience with climate change in recent years in certain regions and its observable effects on sales in the industry, as well as on its plans regarding its manufacturing capabilities. These consequences may not materialize, or may materialize only in part, insofar as events and other occurrences have an opposite affect on the demand for the Company's products, such as changes in the consumption habits or behavior patterns of the Company's customers, the conduct of its rivals, difficulties or achievements in realizing the Company's manufacturing plans, and due to other risk factors applying to the Company, as specified in section 3.22 below.

1.6.4 **The post-COVID-19 crisis**

A. As described in the Financial Statements of the Company for the year 2022, in 2021 the Company experienced exceptional growth in the demand for its products, mainly in the private pool robotic cleaner segment (around 30%). The strong demand continued into 2022 and the Company was able to meet it only in part, ramping up production to a record pace.

B. The waning of the pandemic in 2022 and the lifting of lockdowns, combined with an especially long winter, geopolitical events and a significant change in the macroeconomic environment, reflected in rising inflation and a sharp hike in interest rates that affected both end users and the Company's distributors, led to a moderation in the demand for the Company's products throughout the distribution channel in late 2022 and in 2023, and to the accumulation of high inventory levels of finished products and raw materials in the reporting year. Furthermore, to fund these inventories, the Company was compelled to increase its bank credit, and finance expenses rose.

C. The Company is working to reduce its inventory levels by significantly downscaling the manufacturing of products for inventory.

1.6.5 **The global supply chain crisis**

Throughout 2021 and in 2022, the Company dealt with the global supply chain crisis that was caused by the combination of several factors, including the global pandemic, elevated demand and a shortage of employees. In 2023 the supply chain stabilized somewhat, including a relative decline in shipping costs compared to the peak prices in the prior period. However, beginning in October 2023, during the Swords of Iron War (for the effects of the war, see section 1.6.6 below), the Houthis – an Islamist-Shiite terrorist organization operating in Yemen – began to launch missiles and drones at Israel and to attack and hijack ships passing through the Bab el-Mandeb Strait en route to the Suez Canal and the Gulf of Eilat, with the aim of harming Israeli and international trade. These acts of terrorism led numerous shipping companies to avoid the Bab el-Mandeb Strait and to opt for the longer route around Africa to Europe and Israel, with some companies cutting back on the number of vessels arriving in Israel. The longer shipping route and smaller number of ships have led to an increase in shipping costs and has extended the time required when planning raw material and component purchases from the East and their transport to Israel for manufacturing purposes. Furthermore, part of the Company's products is exported via the Red Sea (mainly those destined for Australia and Asia), such that this process has also become longer and more expensive, and additionally, the reduction in the number of ships arriving in Israel and the effects of the war have led to an increase in the cost of exports to Europe and the US.

These events could also impair the Company's ability to respond quickly to growth in demand should the ability to transport raw materials and components from the East to the production sites in Israel quickly and efficiently be harmed, could raise the costs of inventory purchased and the products supplied, and could also lead to an increase in inventory levels of raw materials from the Far East.

1.6.6 **Swords of Iron War**

On October 7, 2023, the Hamas terrorist organization, which is entrenched in the Gaza Strip, launched a murderous surprise attack on the Israeli communities in the "Gaza Envelope", causing the death and injury of thousands of citizens and soldiers and the abduction of civilians and soldiers to Gaza. Following the attack, on the same day the Swords of Iron War broke out, in which the IDF has conducted a ground maneuver in the Gaza Strip with the aim of putting an end to Hamas's rule and releasing the hostages. Simultaneously, fighting broke out on the Lebanese border against Hezbollah, which has attacked communities and sites near the border on a daily basis. As a result of the attacks by Hezbollah, the residents of the frontline northern communities were evacuated from their homes. As described in section 1.6.5 above, the Houthis in Yemem have also attacked Israel in the context of the war.

Furthermore, 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 government's conduct.

The following events impacted the Company from several aspects during the reporting year:

1. Dozens of Company employees were called up for reserve duty and are actively participating in the fighting.

2. Dozens of family members (spouses and/or sons/daughters) of Company employees were called up for reserve duty and are participating in the fighting, which has affected the availability of some employees.

3. The reduction in the activity of educational institutions in many areas has affected the availability of Company employees, particularly in the first month of the war.

4. The production site in the Dalton Industrial Park is located near the Lebanese border and is under the threat of rocket fire. Production activity at the site has continued throughout the fighting, but has been challenged in terms of continuous employee attendance.

5. Several employees of the Dalton site were evacuated from their homes by the government and are not available for work at the site.

6. By contrast, the Company received compensation due to the war at an amount of NIS 5 million and intends to claim supplementary compensation, the amount of which cannot be estimated at the present stage (see Note 1I to the financial statements).

7. As described in section 1.6.5, attacks by the Houthis in Yemen against the shipping lanes in the Bab el-Mandeb Strait have harmed the Company's supply chain and the distribution of its products to global markets, and could lead to an increase in raw material inventory as well as in the costs of inventory and finished products.

   The Company continues to maintain its regular operations to the greatest extent possible in alignment with its work plans, and is monitoring all possible consequences of the war on its businesses in Israel and abroad.

At the present stage, there is considerable uncertainty as to the development of the war and its scale, and the full scope of the impact on the Company and on its results in the medium and long term cannot be estimated.

1.6.7 **Online shopping**

There is currently a global trend, especially in North America of transitioning to the purchase of products online, as an alternative to traditional purchases of products in physical stores. This trend exists in the pool products segment as well, including the Company's products (mainly robots and private pool alarms). In this context, the Company's products are sold on Amazon, through retail chains which offer their products on specialized websites (omnichannel) such as Walmart, and at professional pool product chains which focus on online sales. The Company regularly updates its product management strategy for online sales channels and omnichannel sales.

On the one hand, the purchase of robots online demonstrates the awareness and confidence of customers in robot technology and makes the Company's products accessible to any pool owner in the world. On the other, this trend increases the concern of falling prices in the segment, in a situation where any buyer can, at the push of a button, compare products and prices among different retailers which sell the Company's products and competing products, online. This is especially true for basic robots, a category in which the Company experiences stronger competition (for further information, see also section 2.1.1 below).

During the pandemic (2020-2022) this sales channel gained strength, leading to an increase in online sales of the Company's products through its distributors in these channels, which facilitated growth in the Company's sales, and, by contrast, the expansion of rival offerings of basic robots.

In 2022, as described in detail in section 3.2.2 below, the Company acquired ECCXI US, which specializes in eCommerce in the North American market. After the reporting period, the Company began to work on building a similar platform in the European market, with the initiation of the business of ECCXI Europe.

1.6.8 **Smart home products and IoT products**

There is currently increasing demand for smart home products, which offer a high level of automation and allow the consumer to use the product efficiently and conveniently. The demand in this segment is expanding into the surrounding garden and pool area as well. In this context, there is a developing trend of IoT products which enable cloud-based communication with the consumer from any location, and which make the smart environment possible. Additionally, big data cloud analytics (such as analysis of the product's usage patterns and the patterns of systems and of pool water), allow the offering to be tailored to the customer's needs, the supply of personalized and targeted service and the creation of optimal value offers.

The Company has developed a dedicated application that allows the customer to control the robot through IoT infrastructure, which enables cloud-based data processing and the offer of optimal service to any end customer that buys its products. IoT technology also affords distributors, store owners and the Company's partners higher quality communication with pool owners, improvements to service and to the customer database and new value offers, thereby strengthening the brand in terms of the distribution chain and from the end customers' perspective.

In this way, robotic technology provides the pool owner with additional advantages over other, non-robotic cleaners. The adjustment of the Company's products to support a future smart pool infrastructure requires significant investment in suitable information systems and appropriate modules, as well as compliance with regulations and laws pertaining to the protection of privacy (see also section 2.1.1 below). Nevertheless, the Company believes that these smart IoT products are inevitable in the ever-growing world of IoT and offer important advantages for manufacturers. The Company estimates that in the next few years, the share of IoT-enabled robots of total robots sold by the Company will gradually increase.

1.6.9 **Changes to regulations and standards**

In general, there is currently a growing trend of regulation in terms of savings in electricity and water – regulation which already applies in several states in the US and in South America. This trend appears to be global, with a positive impact on the Company's business.

Also prominent is the trend of privacy protection regulations, such as the European GDPR, which is obligatory for the Company in its activities in Europe and with European customers. For details regarding the significance of these regulations and the implementation thereof by the Company, see section 2.1.1B below.

The Company is compliant with ISO 14001, an international environmental management standard. The standard addresses energy savings, the use of hazardous materials, waste prevention and environmentally friendly manufacturing. The Company is also compliant with the requirements of the Israeli Protection of Privacy Law, 1981 and its regulations.

The information presented in this section above - i.e., the information regarding possible changes in legislation in the sphere of electricity and water savings, legislative changes pertaining to the protection of privacy, as well as the information regarding online purchases, smart home products and IoT products, constitutes **forward-looking information**, and as such, is uncertain, and may not materialize, in whole or in part, or may materialize differently than expected. This information is based on the Company's estimates and the estimates of entities engaged in this sector regarding the initiation and progress of the aforementioned legislative procedures, and on the Company's estimates regarding the effect of such legislation on the Company's business, and is based on the Company's understanding of the new trends in the field of online purchasing and smart home products, as well as the Company's estimates regarding its ability to implement digital transformation, including a transition to IoT products. The forecasts presented above may not materialize, or may materialize only in part, insofar as the Company's estimates do not materialize regarding the enactment of the aforementioned legislation, or regarding its ability to adjust its activities according to legislation on the subject of privacy protection, or regarding online consumption habits and their effect on the prices of the Company's products, or regarding the possibility of integrating the Company's products, and the products of its competitors, into smart home products, or regarding its ability to implement the aforementioned digital transformation, and due to the materialization of other risk factors applying to the Company, as specified in section 3.22 below.

1.6.10 Macroeconomic changes impacting the Company

Purchases of the Company's products may be affected by economic conditions in the markets where the Company is active. Although most of the Company's cleaning devices are sold to customers who currently own pools (who did not have robotic cleaning devices, or who are replacing them with new ones), due to their nature as convenience products, economic crises and difficult macroenomic conditions in target countries could adversely affect the inclination of pool owners to buy convenience products, and consequently, impact sales of the Company's products in those countries.

In the reporting year, most of the world's economies, including Israel, experienced high inflation as well as a significant increase in interest rates. As of the date of preparation of this report, interest rates in Israel, Europe and the US are the highest since 2010, reflecting an increase of 4.5% to 5% compared to the insignificant rate in effect at the end of 2021. The following table shows the interest rates in major markets compared to 2021.

Country	Index	December 2021	December 2022	December 2023
Israel	Israel interest rate	0.1%	3.25%	4.75%
United States	Federal funds rate	0%-0.25%	4.25%-4.50%	5.25%-5.50%
Europe	ECB key interest rate	0%	2.50%	4.50%
Australia	RBA interest rate	0.1%	3.1%	4.35%

The following factors, among others, directly impacted the Company:

- High interest rates significantly increased finance costs of the Company's loans and current line of credit from financial institutions.
- Rising inflation affected the nature and scope of consumer spending, which contributed to the moderation of demand levels in the consumer goods market (the Company's product market).
- High interest rates affect willingness and confidence in the distribution chain – dealers and distributors – to buy the Company's products in advance, in winter, for the coming summer season, due to the increase in the cost of inventory financing. The change in the form of inventory buildup is also supported by the Company's improved production capacity and expectations that this capacity will allow for greater product availability and the ability to supply products according to demand, with significantly shorter delivery times than in the past.

All the above, combined with the accumulation of inventory as a result of the pandemic and emergence from the crisis, have led to a trend of inventory correction in the distribution channel and alignment of inventory with pre-COVID levels (while aspiring to even lower), which impacts the Company's level of demand in the short term, and, should the buildup pattern persevere, perhaps also in the medium term.

1.6.11 Israeli government policy

In December 2022, the 37th Government of Israel was formed. At the beginning of the reporting year, the new government began to press for significant changes in the judicial system. The proposed changes, some of which have progressed and have passed readings in the Knesset, led to strong criticism and opposition, inter alia, among Israeli and international economic experts and among legal experts who believe that the judicial overhaul will ultimately weaken the legal system, harm democracy, lead to a credit rating downgrade, weaken the local currency, harm investments in the Israeli economy, notably the hi-tech industry, cause funds to be removed from the country, raise the cost of credit in Israel and harm activity in the economic sector. The opposition to the overhaul also led to large-scale public protests. As of the publication date of the report, in light of the war which Israel has been fighting since October 7, 2023 as described in section 1.6.6 above and considering the rulings by the High Court of Justice in two appeals pertaining to the proposed judicial reform, which rejected the changes sought by the government, it appears that at present, the proposed changes to Israel's judicial system are no longer a priority in the government's activity, but it remains uncertain as to whether this trend will continue.

Company management is monitoring developments closely and assessing 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 materially affect its business.

Chapter B - Description of the Company's Business by Operating Segment

2.1 Private pool robotic cleaner segment

2.1.1 General information regarding the private pool cleaner segment

A. Structure of the operating segment and changes occurring therein

The market for robotic cleaners for private pools is part of an array of private swimming pool products (including, inter alia, pumps, filters, cleaners, water heaters, controllers, sanitation systems, disinfection systems, safety equipment, lighting, chemicals and others) and is affected by developments therein. The Company has a broad product range as part of its strategy to offer a robotic value proposition for all pool types.

Operations in Israel constitute a small portion (less than 2%) of the Company's business activities. Nevertheless, the Company is considered a leader in its field in the Israeli market. This market segment is important in that it allows the Company to receive feedback about its products within a relatively short time and before they are marketed to the major markets, thereby increasing the level of success when launching new products to the global market.

Traditionally, the pool cleaning solution market was based on the following:

(1) Manual cleaning equipment (nets for collecting dirt, special brushes for cleaning the pool, and others);

(2) Suction – automatic cleaners powered by the pool pump, which suck the dirt in the pool into a central filter. In this category, over the years value propositions were supported by a broad price range;

(3) Pressure pool cleaners, powered by high water pressure;

(4) Service companies that maintain private pools in terms of cleaning as well as maintaining the pool water chemical balance;

(5) Electronic cleaners that work autonomously, without connection to the other pool systems such as central pump/dedicated pump/filter, etc. (hereinafter: "**Electronic Cleaners**"), which traditionally consisted of robotic pool cleaners. The robot market in which the Company is active was based on similar value propositions in terms of features, capabilities, price ranges, distribution channels, and the number of market players. Several manufacturers were active on the sidelines of the robot market. Their value proposition was based on very basic cleaners, and they were characterized by a relatively small sales volume, very little marketing activity and low consumer awareness.

The Electronic Cleaner category developed in recent years, and today a distinction can be made between two types of differentiated value propositions within the category:

I. Traditional robots or robotic cleaners (hereinafter: "**Robot/Robots**" or "**Robotic Cleaner/Robotic Cleaners**") have evolved in terms of technological capabilities over the years and are generally characterized as multi-seasonal, combined with all or part of the following capabilities:

- Navigation capabilities and planning the smart scanning of the pool;

- Orientation and mapping capabilities in the pool area;
- Full pool coverage, including pools with a sloped bottom or several slopes;
- Capable of working in pools with smooth surfaces;
- Climbing walls, footholds and steps;
- Cleaning walls and the water line;
- Detecting and cleaning shallow surfaces;
- Able to detect and overcome obstacles in the pool area;
- High-quality active brushing of all pool surfaces;
- Effective filtration, including sand and small particles;
- Various modes of operation;
- Capable of performing several cycles;
- Sensors indicating the status of the Robot and its systems for ease of use;
- An app based on local communication and/or cloud connectivity, allowing for remote operation and information.

The characterization, development and production of these Robotic Cleaners are oriented to a product with a lifespan of several years, including an extensive warranty and service. There is a great variance in quality and capabilities among the various Robotic Cleaners in this market, but as a rule, Robotic Cleaners possess part or most of the general features described above.

Traditionally and as of the reporting year, the Company has operated based on the value proposition of Robotic Cleaners, which form, and over the years have formed, its area of focus. For the characteristics of the competition against the Company in this segment, see section 2.1.6 below.

In this context, the Robot market outpaced the growth of the pool market, supported by an increase in the penetration of robotic technology, largely at the expense of cleaning solutions such as pressure and suction (mainly at the upper end of the price range for these solutions).

The superiority of the Robot over all other cleaning technologies is supported by professional blogs and opinion leaders, internet channels and various digital platforms, as well as presence in physical stores in which the products are displayed, which demonstrate the advantages of Robots in terms of keeping the pool clean and hygienic due to their exclusive ability to systematically scan the entire area of the pool (including walls and water line), and scrub its veneer surface, thereby removing bacteria colonies which are protected from the chlorine by a layer of bio-film. Robots also help prevent the development of algae, thereby allowing reduced use of chemicals for disinfection of the pool. Robots are equipped with an independent filtering system which is capable of filtering dirt, from leaves through to the filtering of sand and fine dust, which otherwise would have continued to float in the water, reduce water clarity and provide an opportunity for the growth of bacteria.

Another distinct advantage of Robots (and also basic vacuum cleaners, as defined below) over all other cleaning methods is savings in water and electricity. In ordinary pool operation, cleaning with an Electronic Cleaner (of any kind) saves significant quantities of water each year by reducing the frequency at which the pool's main filter needs to be washed (in the case of sand filters). Additionally, the Electronic Cleaner draws current at 24 volts, and the cost of a single use is only around USD 0.15. The pandemic magnified the exposure of pool owners to additional advantages of Electronic Cleaners by allowing them to continue to independently provide solutions for their pools, without outside help. The considerations that guide most customers when purchasing a private pool Electronic Cleaner are the need and necessity for an effective cleaning method, the desire to keep the pool clear and hygienic with minimum effort, the product's cost-benefit ratio, its performance, reliability, contribution to savings in water, electricity and chemicals, its convenience and ease of use, and its exterior design.

II. Basic pool vacuum cleaners (hereinafter: "**Basic Vacuum**/**Basic Vacuums**") – in recent years, and more distinctly and substantially in 2022 and mainly 2023, a basic electronic vacuum pool cleaner segment developed as an offshoot of the robot market, and in the Company's opinion, this is a separate market segment. This solution, which experienced significant volume growth in the past two years, is intended mainly for above ground pools (such as the Intex pool) and is generally characterized by random pool coverage, by the ability to work mainly in flat-bottomed pools without slopes or steps, and by basic filtration that is partially efficient for removing leaves and large objects only. In addition, the Basic Vacuum has a short lifespan, and limited quality and warranty. These cleaners do not offer the capabilities that are commonly offered by Robots, as described above.

In the Company's estimate, growth in the Basic Vacuum segment is the result of two key factors – the first is the pandemic, which led to a significant increase in the demand for above ground pools, greater use of pools in general, and growth in online purchases, particularly in the North American market. The second is the evolving maturity of battery technology, which also delivered an offering of battery powered cleaners to this segment. These two factors prompted a large number of new players to enter the market, notably Chinese who are characterized by dynamic activity in terms of product launches and significant investments in marketing, and consequently, led to growth in sales volumes of Basic Vacuums. In this context, the value proposition of these cleaners, their strong online presence and significant investments in marketing led to a growing conversion by pool owners mainly from the use of manual cleaning solutions, but also from suction solutions (largely at the low end of the price range), to Basic Vacuums.

The Company estimates that the growth and prominence of this differentiated segment are expected to increase awareness of the category in general, and to acclerate the trend of consumers converting from other cleaning methods to the Electronic Cleaner category (Robots and Basic Vacuums).

The Basic Vacuum segment is (partially) differentiated from the Robot market by the identity of the players active in the segment, customer characteristics, distribution channels, value proposition, and a great difference in the average retail price of basic cleaners compared to Robots. The Company considers it appropriate to refer to Basic Vacuums as a different cleaning solution and market segment.

B. Legislative restrictions, standards and special constraints applying to the operating segment

Private pool cleaners around the world are subject to standardization processes which are characteristic of imported products in various countries (for details regarding the standard compliance certificates which the Company has received, see section 3.14.2 below). The greater the use of the Company's IoT products, the greater the requirement for the Company to comply with privacy protection laws. These laws address aspects of customer data storage, including reducing the amount of stored personal information to the absolute minimum required for the Group's activity, restricting the use thereof for such purposes, honoring customers' wishes for privacy, the requirement to obtain their informed consent for information about them to be stored and used, their right to receive the information which is stored about them, their right to be forgotten (to be erased from the database), and implementing appropriate measures in order to ensure that the information about them is not exposed due to security flaws.

In this context, in 2018, the European GDPR (General Data Protection Regulation) introduced regulations[2] which are binding on the Company in its activities in Europe and vis-à-vis European customers, on the series of subjects specified above. Additionally, in 2018, the Protection of Privacy Regulations (Information Security), 2017 took effect, which are also binding on the Company in its activity concerning databases which contain, inter alia, information regarding a person's assets and/or information regarding a person's consumption habits, which could indicate the foregoing, as specified in those regulations[3].

The Company is adopting these regulations by configuring appropriate information security systems, and by implementing workflows, controls and technological means for proper use of existing information, and to prevent information leaks. For further information on the cyber defense in the Company, see section 3.22.15 below.

C. Changes in the scope of activities and profitability in the segment

In general, the private pool Electronic Cleaner market is outpacing the industry growth rate. The number of pools which are cleaned by this technology around the world is still relatively small, but is growing consistently from year to year, which is expected to allow the growth rate to surpass the industry growth rate for many years ahead.

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2 Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, repealing Directive 95/46/EC (General Data Protection Regulation).

3 As of the reporting date, legislative processes are underway in Israel to broaden privacy protection and create enforcement measures against its infringement, with the goal of aligning local laws to European laws – the Protection of Privacy Bill (Amendment 14), 2022. Further, on May 7, 2023, the Privacy Protection Regulations (Instructions for Data that was Transferred to Israel from the European Economic Area), 2023 were published, to enable the renewal of the European Commission's recognition of Israel's adequacy status, awarded in 2011, as a country in which the level of data protection is aligned with the level of protection of personal data in place in the countries of the European Economic Area and consequently, personal data may be transferred simply and easily, in accordance with GDPR. The regulations that were enacted determine obligations that will apply to database owners in Israel with respect to information transferred to Israel from the European Economic Area, excluding information that was directly transferred by the data subject himself: data deletion obligations, limitation on keeping data for longer than actually needed, data accuracy, and the obligation to inform.

The Company estimates the total number of private pools worldwide at approximately 30.7 million (19.2 million inground pools, 10.6 million above ground pools suitable for technology-based cleaning and 836 thousand public pools), of which only around 7 million (23%) are cleaned by Electronic Cleaners – Robots and Basic Vacuums.

The Company estimates the number of pools worldwide without an Electronic Cleaner at around 23.7 million. The Company's market potential amounts to 16.4 million pools that do not yet use Electronic Cleaners, given that 7.3 million pools are not at the core of the Company's sales and marketing strategy in the short term. In this context, it is noted that these estimates are the Company's revised estimates, which are based on an updated data analysis by the Company at the end of 2023, further to a broader analysis performed by the Company in 2020[4] with the aim of optimizing the database and its understanding of market potential, and to refine its marketing strategy.

In recent years, the market for Robotic Cleaners for private pools, like other automated home and garden products, has been in an uptrend. This trend is enabled thanks to the continuous improvement in the products' reliability, their presence in diverse sales channels (including digital sales channels), and awareness of the advantages of Electronic Cleaners in general and of Robots in particular (mostly in terms of effectiveness, quality of cleaning and in saving time and trouble) over other pool cleaning products, as well as following the impacts of the pandemic. Additionally, there is a long-standing trend of transition by consumers from manual cleaning or cheap cleaners which they initially purchased (suction cleaners) to Electonic Cleaners, particularly Robots, which also significantly improve the pool's cleanliness and hygiene. In recent years, growth has also occurred in the segment of consumers who purchased Robots in the past and who, after around two to eight years (depending on the region, model and manufacturer), are interested in replacing their old Robot with a new device. As a long-term average, the Company estimates that around 40%-50% of Robots sold each year are replacements of current Robots (which are replaced, on average, every 4-6 years, and for Basic Vacuums, every 1-2 years). The Electronic Cleaner replacement market also represents significant potential for the Company, which is investing focused marketing efforts to ensure that whenever a cleaner is replaced, the potential for replacing it with a Company Robot is maximized. Furthermore, the Company's Robots that are in use in the market create the potential for the continued sale of replacement parts and other products. The price level for consumers in this segment is differs between countries; however, the impact of the internet reduces, over time, the ability to differentiate in terms of price, mainly within Europe. Additionally, changes in the scope of activities are affected by technological innovations introduced to the market by the Company and its competitors, as specified in section E~~E~~ below.

D. <u>Developments in the markets of the operating segment or changes in the characteristics of its customers</u>

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[4] It is hereby clarified, in any case, that both before and after this update the Company does not have official or verified figures, and the following details regarding the market share of each cleaning method are an internal estimate by the Company, which is based on data received from the Company's distributors and the assessments of various entities in the pool industry, and therefore does not constitute certified or precise information.

As described in section 1.6 above, there is currently a global trend of gradual transition by end customers to the purchase of products online. This trend is evident in many segments in the consumer world and has not bypassed swimming pool products in general, and the Company's Basic Vacuums and Robots in particualr, and has increased significantly due to the pandemic, social distancing, and restrictions on business in physical stores.

However, the Company has observed a continuing trend of diversification in the distribution channels of physical stores (distributors and retailers), some of which are developing online sales capabilities and are even developing an omnichannel strategy, whereby the end customer can purchase products from the same retailer in a physical store, through an app or on a website, with a similar shopping experience in all channels in terms of marketing communication, design, customer service and purchase security.

The trend of online purchases makes the Company's products accessible to any pool owner. The Company is strengthening the brand among its end customers in order to grow the market by increasing awareness of robotic technology in general, and of the Company's technology in particular, while maintaining its current relationships with distributors and dealers, who remain the primary factor in the distribution of the Company's products.

Additionally, and as described in section 1.6 above, there is a trend of transitioning to smart and/or automatic consumer goods, which allow for the operation of a "smart home" and constant connectivity. Smart-IoT products provide customers with added value by allowing more convenient and effective use of the product, while also allowing product manufacturers to communicate directly with end customers, thereby providing optimal service and increasing the brand's value from their perspective. The Company is working continuously to upgrade its products in this sense. The adaptation of the Company's products to smart home products and IoT products requires investment in suitable information systems, as well as compliance with regulations and laws pertaining to the protection of privacy.

For additional information regarding the significance of this global change, see section 1.6 above. For additional information regarding the Company's preparations regarding these trends, see section 3.17 below.

In certain territories such as Australia and the Sun Belt in the southern part of the United States (states such as Florida, Texas, Arizona and California) (hereinafter: the "**Sun Belt**"), most pools are still cleaned manually (by the pool owner or a service company) or by pressure and suction cleaners, and in these territories the Company designs its marketing activities to raise awareness of the advantages of robotic technology and particularly, of the Company's products. The number of private pools in these territories (Australia and the Sun Belt) is estimated at 8 million. The Company achieved double-digit growth in these territories in recent years – growth that was curbed in 2023 due to the factors of influence described above (in section 1.6.4) affecting the pool industry as well as macroeconomic effects. Taking a broad multiyear view, the Company estimates that demand for Electronic Cleaners and Robots in these regions, notably the Sun Belt in the US, is expected to surpass the growth rate of the pool industry overall.

The information presented above in this section - i.e., regarding changes in the Electronic Cleaner market in the Southern Hemisphere and in the Sun Belt in the southern part of the United States, regarding the trend of online purchasing, regarding the use of the omnichannel strategy by retail distributors and its impact on traditional distribution channels, and regarding the development of smart home products and IoT products and the effect such trends will have on the Company's sales - constitutes **forward-looking information,** and as such, is uncertain, and may not materialize, in whole or in part, or may materialize differently than expected. This information is based on the Company's estimates and on the estimates of entities engaged in this sector regarding sales potential in these markets and regarding the continued development of markets for Electronic Cleaners in the Southern Hemisphere and in the Sun Belt, experience in the development of the Company's sales in these regions during the pandemic, the Company's estimate regarding its ability to continue leveraging these changes in general, and particularly regarding its ability to continue marketing appropriate products to these markets, according to the estimates as of the date of this periodic report, and is based on the Company's understanding of the new trends in online purchases, the smart home products and IoT products segment, and its ability to provide solutions, through its products, that respond to these new trends. The forecasts presented above may not materialize, or may materialize only in part, insofar as the Company's estimate regarding the potential of these markets and their continued development, and the momentum of their development, does not materialize, insofar as the Company's estimate does not materialize regarding online consumption habits and their impact on the prices of the Company's products, and on the ability to sell them in that channel, or regarding the ability of the Company's products and of its competitors' products to be integrated into these markets, or due to difficulties in preparing for these changes, or due to better and/or faster preparation by the Company's competitors, and due to other risk factors applying to the Company, as specified in section 3.22 below.

E. Critical success factors in the private pool cleaner segment and changes occurring therein

The Company's market share in the private pool cleaning robot market is significant. The Company's success in creating and defending its market share is based on the development and production of products which offer excellent performance, reliability and service, along with continuous innovation and maintaining competitive pricing. This activity, while maintaining strong relationships with its customers, establishing a clear product strategy, distribution infrastructure, digital marketing capabilities, global service and marketing, and a business culture which is based on building long-term relationships and striving to provide an extraordinary experience to all of its partners, differentiates the Company from its competitors.

One of the most important elements implemented by the Company in all new product lines is DIY capability. This capability, combined with dedicated diagnostic and repair tools, allows the distribution network's service centers and dealers (pool builders, service companies or store owners) to diagnose and repair the Robot within minutes, and to return it to the owner that same day. This advantage provides significant added value to the entire distribution chain and to end customers (for additional details regarding the uniqueness of the Company's products, see sections 2.1.2 and 2.1.6

below; for details regarding the loyalty of the Company's customers, see section 3.1.3 below).

In 2019, the Company launched an IoT technology in some of its Robot lines, which allows pool owners to use an advanced application to control their Robot from anywhere and enables the Company to improve its service to end customers, thereby creating an extraordinary service experience and creating a future platform for value propositions to the Company's customers.

The information presented in sections A, C and E above – i.e., the information regarding changes in the structure of the segment, in the scope of its activities and in its profitability, and changes in the critical success factors in the private pool cleaner segment - constitutes **forward-looking information**, and as such is uncertain, and may not materialize, in whole or in part, or may materialize differently than expected. This information is based on the Company's estimates and understanding of the behavior in the markets in which it operates, including the aforesaid trend of transition to Robotic Cleaners, and the response of customers, of the Company and its competitors to its unique products, as of the date of this report, and the results of its efforts are described above. The forecasts presented above may not materialize, or may materialize only in part, insofar as the market response in general, and to the Company's products in particular, is different – such a response may be possible due to changes in customer preferences; or due to difficulties in realizing and/or implementing technological innovations in this segment; or due to unexpected impairment of the Company's service orientation; or due to the impact of adverse changes in the Company's macroeconomic and/or regulatory environment (as specified in section 1.6 above); or due to the intensification of market pressures to reduce prices and a preference for simple and cheap products, including basic Electronic Cleaners; or due to rival activity; or due to other risk factors applying to the Company, as specified in section 3.22 below.

F. <u>Main barriers to entry and exit in the private pool cleaner segment and changes occurring therein</u>

As described in section 2.1.1 above, in recent years a Basic Vacuum segment has developed. These cleaners are characterized by limited performance, a short lifespan, and limited quality and warranty. They do not offer the capabilities that are commonly offered by Robots, and accordingly, entry barriers to this segment are relatively low. Most of the rivals in the segment are Chinese and mainly focus on the online channel and the mass market, and their price range is low compared to the Company's products. These rivals are clearly investing efforts in improving from one year to the next in terms of technological capabilities, the product range and marketing means, and some are even devoting efforts to doing business in the Robot segment. Most of their products are characterized by low quality, especially over time, but some have succeeded in gaining significant market share in the basic Electronic Cleaner segment.

The Company estimates that penetration of the Robot market by a large number of new manufacturers remains challenging, since very specific expertise and knowhow are required for the development of products of this kind, which include a high technological threshold for the development of an electronic and mechanical product which performs intelligent and high-quality cleaning operations underwater, particularly while preserving long-lasting product quality, and due to the seasonality and non-continuous nature of sales throughout the year. In addition to these barriers, there is also a trend of growing demand for private branding by large market players (mainly in Europe), which the Company is well prepared to meet.

At the same time, the Company has identified a trend of great efforts by Chinese players to penetrate this market segment.

The Company continuously monitors all its competitors and is making the necessary preparations from the aspects of technological and business innovation, operations and supply chain, reducing product costs, and marketing and strategy.

It is noted that in the Robot market segment, distributors around the world (the Company's customers) already maintain service centers (replacement parts, diagnostic equipment, licensed technicians, etc.) to support the existing customer base, such that the transition to a new manufacturer would involve, for the distributor, an expensive process which could take at least two years. The distribution market, in general, is highly decentralized all over the world. This fact reduces the risk of the rapid loss of significant market share due to the entry of new players.

As described in section 2.1.1D, there is presently a trend of transitioning by end customers to online purchases of products. This trend allows an emerging manufacturer to make its products accessible to end customers through a global store such as Amazon, without having to use a global distribution network, such as the network which distributes the Company's products. This work method is gaining momentum among some Far East players and was more meaningfully reflected in the past few years, particularly in the Basic Vacuum segment. The online distribution channel allows new competitors to quickly enter the market, but it is not a shortcut in terms of product quality, building a reliable, known brand, and the provision of global service.

The information presented above in this section F, i.e., the information regarding barriers to entering the segment in general, and regarding producers from the Far East in particular, constitutes **forward-looking information**, and as such is uncertain, and may not materialize, in whole or in part, or may materialize differently than expected. This information is based on the Company's estimates and understanding of the characteristics of the products in the segment, demand for the products, their sales methods and distribution and maintenance, as of the date of this report. The forecasts presented above may not materialize, or may materialize only in part, should the complexity of manufacturing and maintaining the products become simpler in a manner that would facilitate their serial manufacturing and ease of maintenance, and/or should changes occur in the distribution methods of the Company's products, including through the elimination and/or weakening of reliance on private branding and their sale other than as part of the product portfolio, or should customer sensitivity to product quality decline (e.g., at the expense of reducing the product's cost), or due to the other risk factors applying to the Company, as specified in section 3.22 below.

G. <u>Alternatives to Electronic Cleaners intended for private pools and changes occurring therein</u>

Electronic Cleaners (Robotic Cleaners and Basic Vacuums) for private pools have several alternatives, including manual methods for cleaning private pools (dirt collection nets, special pool cleaning brushes, etc.); automatic cleaners which operate on the power of the pool's pump and suck the dirt from the pool into a central filter (suction); and pressure cleaners. These alternatives account for a significant share (in terms of units) of the private pool cleaner segment, due to their relatively low price compared to Robots. However, their effectiveness and reliability in general, and in pools with complex shapes in particular, are significantly lower compared to the Company's Robots, which operate on a built-in pool scanning algorithm which guarantees full coverage of the entire pool area, in each operation for the full cycle time. Additionally, only a robot guarantees brushing of the pool's surface, combined cleaning of floors, walls and water line, including autonomous filtering on the micron level. In recent years there has been a trend of conversion from pressure pool cleaners to Robotic Cleaners thanks to the Robots' effectiveness and their improved reliability as well as their "plug & play" feature, meaning that the customer can operate them without any special preparation and/or installation. Furthermore, in the Company's estimate, the market share of suction solutions is declining as pool owners convert to Robotic Cleaners or Basic Vacuums.

Additionally, as stated above, in recent years, the trend of savings on water and electricity around the world has increased, as characterized also by a transition to pumps of variable speeds, which operate at a lower intensity and offer more savings, but greatly impede the performance of the suction device, as well as searching for ways to reduce the amount of chemicals in pools. Cleaning with Robots, due to their fine filtering unit and the fact that dirt collected in the device is not sent to the pool's filter, allow for a reduction in the frequency of washing the pool's main filter (sand filter) down to a third of the frequency in pools cleaned by pressure or suction devices. Additionally, the Robot's efficient brushing function prevents algae and bacteria from developing, thus allowing for the use of less chlorine and keeping the pool clear and hygienic, all with minimum consumption of electricity, at a cost of USD 0.15 per work cycle. As opposed to Robots, cleaning with water pressure technology requires an additional external pump, necessitating the installation of appropriate infrastructure, which consumes a great deal of electricity upon operation. Savings for pool owners due to the use of Robots can reach hundreds of US dollars per year. For details regarding the size of the cleaner market in general and regarding the Company's market share, see section 2.1.6.

H. Structure of the competition in the private pool cleaner segment and changes occurring therein

From the Company's perspective, given the broad market potential, the competition in the segment helps to promote the Robot segment and to educate the market regarding the advantages of robotic technology, and on the other hand, challenges the Company to maintain marketing and technological leadership.

The Company faces competition in two forms: First, competition versus the manufacturers of robotic pool cleaners – the market in which the Company has been active since its establishment – in which new Chinese players are now operating and promoting Robots and Basic Vacuums as described above. The second involves manufacturers of non-robotic pool cleaners (see section 2.1.2 below), which are an alternative product to Robotic Cleaners and account for a significant part of the market for automatic private pool cleaners all over the world.

The competition against Robotic Cleaner manufacturers is characterized as follows:

1. A number of veteran manufacturers that manufacture and market a broad variety of Robotic Cleaners for pools and customers with different needs, which have a formal distribution system, customer service across all key markets, and brick-and-mortar and online sales.
2. A relatively new group of rivals that manufacture in China and mainly compete in the basic market segment and in online sales, with no established distribution system in each country, and mainly offer Basic Vacuums in the low-price range.

It is noted that some Chinese manufacturers are also targeting the higher market segment and offer Robots, some of which are based on advanced technology and are of better quality.

The Company closely and continuously monitors the development of competition in the market and is preparing for numerous possible scenarios under the assumption that the competition will increase. The Company's products enjoy a longstanding reputation for technological leadership and quality over competing products. The Company's "Dolphin" brand enjoys a strong reputation in the market, and is synonymous with quality, reliability, innovation and service, as indicated by numerous stores in many countries which sell the product.

2.1.2 Products and services

General characteristics of the Company's products

In general, Robotic Cleaners for private pools are appliances intended for cleaning based on a computerized cleaning program, which is based on a smart algorithm that allows for systematic scanning of the pool area and contours. The Robot scans the pool floor, brushes and sucks off the dirt, climbs its walls (fully or partially) while cleaning them up to the water line (or up to the border where the pool floor and wall meet, depending on the device model), then goes back down to the pool floor.

Cleaning includes the following: Brushing the pool floor and walls (active cleaning, which removes dirt and colonies of bacteria and algae which cannot be dislodged without brushing), and suctioning and collecting dirt while filtering the pool water down to the micron level. The method of the Robot's operation in the pool supports the effective dispersal of chemicals in general, and greater efficacy of the chemicals in particular.

All Robots manufactured by the Company include a plastic frame (made of materials resistant to moisture, chemicals, pool water salinity, sun rays, etc.), a waterproof drive, suction and electronics mechanism, dirt filter unit, drive unit (brushes, caterpillar track, bearings), power supply and power cable (except for the Liberty model, which is cordless and powered by a battery). Some of the models include remote control or can be controlled and steered using operational parameters through a smartphone, allowing for control of the Robot's movement and the selection of dedicated cleaning programs.

A. Features of the various types of private pool cleaners

The Company manufactures Robotic Cleaners for private pools for surfaces of all types, and for all types of pool shapes currently on the market. The Robots produced by the

Company are used to clean medium to large private swimming pools (5 to 15 meters in length), including both inground pools and above ground pools.

The Company produces Robots on a variety of performance, accessorization and price levels, with different features, according to the customer's needs and preferences.

The Company has a variety of Robotic Cleaners for private pools which meet the needs of every type of pool and consumer (mostly surface type, pool size and frequency of use), and which are suited to various distribution channels. The Company differentiates the Robots through features such as the ability to climb the pool walls, active brushing of pool surfaces, filtering volume and quality, drive and suction motors, cable length, a swivel function to avoid cable twisting, battery-operated Robots, navigation and orientation capabilities, IoT technology, remote control and an internet app.

The Robot's movement is optimized automatically when the pool is scanned by the Robot software, and case-response logic is activated during the device's operation.

By developing high-quality products offering the end user an exceptional experience and by differentiating the various Robot models and developing advanced capabilities as described above, the Company implements its strategy to be the leading brand in the Robot market, which guides the Company's development, operation and marketing efforts (for more information, see section 3.17 below).

B. Types of private pool cleaning Robots

The Company sells dozens of Robot models. The models differ in their appearance, features, performance, software, operating method (corded or cordless), color and name.

C. Private brands

The Company's products are also sold under numerous private brands, characterized by unique names and colors. Sometimes, a private brand has different features/software than the original model, according to the customer's requirements. As of the reporting year, most of the private brands are sold bearing the brand names Dolphin and Maytronics, thus contributing to the strength of the Company's brand around the world.

D. Replacement parts

In addition to the products themselves, the Company also sells to its customers replacement parts, diagnostic equipment and dedicated work tools to perform repair and maintenance works on its products.

E. Product markets and service

In most countries, the products are sold by the Company to distributors who sell the Company's products through professional marketing channels such as stores, pool builders and service companies, as well as mass marketing channels including DIY chains and online channels in relevant countries. The distributors are responsible for providing service to the customers who have purchased the Company's products through them (for details, see section 3.2.1 below).

In four strategic territories, the Company distributes its products through its subsidiaries, which sell the Company's products both to distributors and to other sales channels:

- In the United States, the Company markets its products and provides associated services through the wholly owned subsidiary, Maytronics USA (MTUS), and through MTUS's subsidiary, ECCXI US.
- In France, the Company markets its products both through a subsidiary - Maytronics France (MTFR), and through several distributors.
- In Australia, the Company markets its products through a subsidiary - Maytronics Australia (MTAU).
- In Germany, the Company markets its products both through its subsidiary BF, and through several distributors.

After the reporting date, the Company initiated marketing and sales operations in the European online market through ECCXI Europe. In Israel, the Company mostly sells its products through distributors. The Company itself provides all service and support for Robots sold in Israel.

F. Trends and changes in supply and demand

After more than a decade in which the Company experienced consistent growth in the demand for Robotic Cleaners (by distributors and dealers as well as pool owners), in 2023 demand by distributors and dealers declined, among other things due to inventory correction in the distribution channel in light of the circumstances described in section 1.6.4 above (the post-COVID crisis). Among end users, demand declined somewhat due to a challenging macroeconomic environment marked by high inflation and interest rates, which had a negative effect on consumer confidence and motivation to invest in discretionary goods, as well as pool season that began late due to inclement weather and was relatively short.

Revenue growth trends:

Average annual growth of 17.5% in the Company's revenues in the segment in the years 2014-2019, which reflects outperformance and growth in the Company's market share and in the size of the market in that period.

In 2020-2022, demand for private pool Robots rose significantly due to the pandemic, and was expressed in an average annual growth rate of 29% in the Company's revenues in this segment.

2023 was a challenging year in terms of the return to pre-COVID demand patterns, inventory correction in the distribution channel, high interest rates in all relevant markets, and also in terms of new rivals/manufacturers, particularly in the Basic Vacuum segment, which led to an increase in supply and in the number of manufacturers at the low end of the price range.

Looking ahead to the next few years, the Company estimates that the average annual growth rate in the number of Robots sold to end users is expected to be within the range of 8% to 12% per year. Expectations for the ongoing increase are due to the number of pools around the world which are not yet equipped with Robotic Cleaners, the growing level of awareness of the Robot's advantages over other cleaning methods among potential consumers, and the replacement of Robots by pool owners who purchased Robots in the past.

G. Material expected changes in the Company's share of the major private pool cleaner markets

The Company foresees that, over the long term, its activities in the Robot segment will continue to increase along with the expansion and growth of the entire market, as a result of the continued resolute implementation of its strategy as reflected in the development of new products featuring technological leadership; deepening its foothold in strategic markets through its subsidiaries and distributors; promoting strategic partnerships and building additional brands; promoting a digital strategy based on smart products and IoT products, digital marketing and online sales; and expanding operations in different markets in both the Northern and Southern Hemisphere.

The information presented in sections F~~F~~ and G~~G~~ above, i.e., the information regarding the expected changes in supply and demand in the segment and regarding the expected changes in the Company's share in the segment, constitutes **forward-looking information**, and as such is uncertain, and may not materialize, or may materialize differently than expected. This information is based on cross-referencing forecasts with those of other leading companies in the segment, the Company's estimates regarding the continuing growth of the pool industry in general, the attractiveness of Electronic Cleaners in general and Robotic Cleaners in particular, their market penetration rate, the Company's estimates regarding its expected share of this product market (including both its segments, as described above), the contribution of the innovativeness of its products, the ability to market them, and its working assumptions and intentions, as of the date of this periodic report.

The forecasts presented above may not materialize, or may materialize only in part, insofar as a downturn occurs in the Western world or in certain parts thereof in private consumption in general, or in the private pool construction segment and/or purchases of private pool products in particular, as well as various moves by competitors, such as drastic price cuts; changes to the distribution model; disappearance of competitors, or appearance of new competitors; implications of structural changes in the segment (including mergers and acquisitions); a change in the market status and weight of Basic Vacuums; changes in exchange rates; unforeseen defects in the Company's products; unforeseen difficulties in realizing the Company's overall strategic plan; and other risk factors applying to the Company and its activities, as specified in section 3.22 below.

2.1.3 Segmentation of revenue and profitability of products and services - private pool cleaners

In 2023, the private pool Robotic Cleaner segment accounted for approximately 78% of the Company's sales.

Product name	2021		2022		2023	
	Percentage of total segment revenues	Revenues (NIS thousands)	Percentage of total segment revenues	Revenues (NIS thousands)	Percentage of total segment revenues	Revenues (NIS thousands)
Robots	94.8%	1,129,869	93.3%	1,400,146	91.5%	1,344,320
Replacement parts	5.2%	62,236	6.7%	100,812	8.5%	124,332
Total		**1,192,105**		**1,500,958**		**1,468,652**

2.1.4 New products

In the reporting year, the Company began marketing a new family of cordless Robotic Cleaners, the Liberty series. These Robots are fitted with an induction recharging system that enables the Robot to complete a full cleaning cycle, and they deliver all the advantages of the Company's Dolphin Robots.

The Liberty battery is recharged outside the pool, and the induction technology delivers a safe, upgraded solution.

Other, more advanced Liberty Robots will include additional, more advanced features. These Robots are still in the development phase and will be introduced when their development is complete.

The Company is persevering in development efforts of technologies that will enable further enhancement of robotic pool cleaning thanks to location detection technology, smart sensors, precise mapping of the pool and navigation capabilities to optimally scan the pool area, while continuing to expand the offering of robotic solutions and in general, in response to pool owner needs as reflected in surveys.

In 2024 the Company is slated to launch a new robotic product called Skimmi, which delivers a unique robotic solution for cleaning the water surface. The Skimmi skims the surface of the pool water, collecting floating debris into a built-in filtration chamber. It is powered by a solar panel that charges the robot's batteries, which works and recharges automatically and continuously, without the need for human intervention. The Skimmi works synergistically with the Dolphin by collecting coarse dirt (e.g., leaves and insects) floating on the water, keeping the water clear and leaving the Dolphin to clean the dirt that sinks to the bottom of the pool and to scrub the pool surfaces to prevent bacterial colonies from accumulating.

After the reporting date, the Company, in collaboration with Shenzhen Seauto Technology Co. Ltd. (hereinafter: "**Seauto**"), launched a new battery-operated product line (which includes Robotic Cleaners and Basic Vacuums) in the medium to low price range. The new product line will be manufactured by Seauto and will be sold exclusively by the Company (in the key territories in which the Company operates) 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 first stage, the Company will launch a number of models that will be sold in key markets via the online channel. The new brand expands and strengthens the Company's value proposition in the Robot segment, and adds a value proposition in the Basic Vacuum segment, in which the Company has not been active.

Seauto is engaged in the development and production of Electronic Cleaners for swimming pools and is the manufacturer of the new product line. The line, which will be sold under the Niya brand, was characterized and tested by Company teams and will be exclusive to the Company. For further information on the plans for the future collaboration with Seauto, see the Immediate Report of February 28, 2024 (reference no. 2024-01-020217), which is incorporated by reference.

The information regarding the launch and sale of new products constitutes **forward-looking information**, and as such is uncertain, and may not materialize, in whole or in part, or may materialize differently than expected. This information is based on the Company's knowledge of the products it manufactures and markets and on its ability to continue to develop these products through to successful marketing and sale, on its understanding of the market in its field, on information which in its possession as of the date of this report regarding the products and the market, and on its understanding of the technological significance of the products. The assessments presented above may not materialize, or may materialize differently, if and insofar as it is found that the Company's estimations regarding the ability of the new products to fulfill the expectations of them and to be sold in significant quantities, or its estimations regarding the preferences of its customers and the actions of its competitors, were incorrect or inaccurate, or due to other risk factors applying to the Company, as specified in section 3.22 below.

The Liberty:

2.1.5 Order backlog

The order backlog of private pool cleaners on December 31, 2023 was NIS 216,786 thousand compared to NIS 414,109 thousand on December 31, 2022, reflecting a decline of 48% in backlog for the Company's products in this segment compared to last year.

The decline in order backlog is the result of a change in inventory buildup patterns among distributors, which is the result of tighter working capital management in light of high interest rates coupled with the Company's stronger supply capabilities, as well as the late timing of orders by several key Company distributors, which, as of December 31, 2023, had not yet placed orders for the opening of the season, and did so in early 2024.

It is further noted that on December 31, 2019, which represents a typical year prior to the pandemic and supply chain crisis, backlog was NIS 175,240 thousand, the significance being that backlog as of the end of the reporting year is 24% higher than backlog before the pandemic.

The following table presents the order backlog in the past 5 years and growth rate compared to the prior year:

Date	Backlog	Change versus prior year (%)
December 31, 2019	175,240	12%
December 31, 2020	302,410	73%
December 31, 2021	697,313	130%
December 31, 2022	414,109	(41%)
December 31, 2023	216,786	(48%)

In 2023, the distribution channel corrected inventory levels in light of the surplus inventory created at the end of the pandemic and high interest rates. The order backlog at the end of 2023 is further evidence of the conservative approach adopted by the distribution channel, with many distributors preferring to order products on a smaller scale prior to the season, as well as of the development of the Company's sales mix, which reflects an increase in direct-to-consumer sales through ECCXI US, sales for which most orders are not recorded on the Company's books before the season.

As of March 17, 2024, the order backlog was NIS 192,545 thousand, compared to a backlog of NIS 364,173 thousand on March 16, 2023.

Distribution of the order backlog in NIS thousands:

Order backlog as of March 17, 2024	Expected revenue recognition period	Order backlog as of December 31, 2022	Order backlog as of December 31, 2023
71,686	First quarter	305,408	132,763
99,141	Second quarter	101,219	83,083
21,488	Third quarter	7,475	938
230	Fourth quarter	7	2
192,545	**Total**	**414,109**	**216,786**

2.1.6 **Characteristics of the competition**

As stated above, the Company evaluates the competitive map versus automatic cleaner manufacturers and manual cleaning methods, which constitute an alternative to Electronic Cleaners, as well as in relation to Electronic Cleaner manufacturers.

In the past few years, competition in this market been characterized by the entry of new rivals, most of them Chinese, who mainly compete in the low end of the price range and in the developing Basic Vacuum market. Furthermore, competing companies have maintained the trend associated with collaborations and marketing campaigns of various kinds. In the past two years, competition has also been affected by the global supply chain crisis, as described in section 1.6.5 above.

A. The following table summarizes, in terms of the number of pools, the market share of each private swimming pool cleaning method[5].

Cleaning method	2022	2023
Electronic Cleaners – Robots and Basic Vacuums	21%	23%
Suction devices	26.5%	26%
Pressure devices	7.5%	7%
Manual cleaning by pool owner	34%	33%
Manual cleaning by poolman	11%	11%

B. According to the Company's estimate, around 23% of private swimming pools around the world are cleaned by Electronic Cleaners (Robots and Basic Vacuums). Regarding the private pool market in its entirety (including non-robotic products and manual cleaning tools[6]), the Company estimates that its share of the swimming pool cleaner market is less than 15% (in terms of the number of cleaners).

C. As explained in section 2.1.1 above, the competition in this segment is based both on the Company's significant share of the Robot market in the global market for private pool cleaners, and on attempts by the Company's rivals to encroach on its market share. The increasing pressure on all players to maximize sales and grow market share is expected to result in a certain trend of changes to the distribution model as well as price cuts in the coming years. The Company expects this decrease to be moderated somewhat thanks to the technological and servicing leadership of its products and their differentiation from rival products, and also thanks to its product and marketing strategy, which allows the Company to collect a higher premium than its competitors, as it has done in recent years.

D. There are manufacturers of Basic Vacuum pool cleaners in the Far East that compete in the Company's markets, largely based on low prices and low-grade performance, which sometimes work using a different distribution model. The Company continuously monitors all competitors, including manufacturers from the Far East.

E. The Company's competitors are also working on the development of more innovative products. In parallel with these development and innovation efforts, efforts are also evident by the Company's competitors to strengthen their foothold in the market, by improving service and product strategy.

F. The Company estimates that the alternative automatic products – pressure and suction devices – are past their prime in terms of their technological lifetime, and sales of these products continue to decline. Their advantages were that they were prevalent and attractively priced. However, the availability and increased reliability of cheaper

5 In 2020 the Company conducted a detailed data analysis to optimize the database regarding the pool market. This analysis was updated during the preparation of this report. The Company does not have official or verified figures, and the following details regarding the market share of each cleaning method constitute an internal estimate of the Company, which is based on data received from the Company's distributors and the assessments of various entities in the pool industry, and therefore does not constitute certified or precise information.

6 The estimates regarding the market share of each of the automatic swimming pool cleaning methods are based on data which were received from the Company's distributors and on the estimates of various entities in the pool industry and are not certified or accurate information.

Robots have curtailed the development of those technologies. Pool cleaning methods which are based on Robotic devices are the most efficient and effective way to clean pools. In addition, the Basic Vacuum segment is also encroaching on the development of alternative automatic appliances.

G. **Other major manufacturers of Electronic Cleaners for private pools**

To the best of the Company's knowledge, at the date of the periodic report, Maytronics has four main competitors, as well as several smaller competitors, which manufacture Electronic Cleaners for private pools, as follows:

1. Fluidra S.A. (hereinafter: "**Fluidra**"), which includes the following two companies:

- Zodiac Pool Solutions LLC (hereinafter: "**Zodiac**") is a global French company which also operates in the US and also markets products under the Polaris brand, manufacturing both cheap cleaners (pressure and suction) and Robots, which merged with Fluidra in 2018. In late 2023 the company introduced a new battery-operated Robot model, together with a new corded Robot line in a lower price range.

- Aqua Products, Inc. (hereinafter: "**Aqua Products**"), which markets its products for both private swimming pools and public swimming pools, mostly to the American market, in which it has a significant presence.

2. Aquatron Robotic Technology Ltd. (hereinafter: "**Aquatron**") – a member of the Austrian group BWT (hereinafter: "**BWT**"). Aquatron manufactures Robots in Israel for both private swimming pools and public swimming pools. It markets its products mostly to Europe, where it has a significant presence in France, Italy and Spain.

3. Tianjin Wangyuan – Winny Industries (hereinafter: "**Winny**") – a Chinese manufacturer that mainly sells under the WYBOT brand and focuses on a variety of marketing channels, including online (mostly in North America) and mass market retailers (with emphasis on the European market). Winny offers a variety of products, mostly battery-operated, and is active in both the Basic Vacuum segment and the Robot segment.

4. Shenzhen In-Link Intelligence Innovation Company Ltd., registered in China and part of the Aiper group (hereinafter: "**Aiper**"), formerly distributed Winny products mainly in the US, and today has its own product lines with emphasis on battery-operated Robots. Aiper invests considerable resources in global marketing, thus building a strong brand in the pool industry. Aiper offers a variety of products, mostly battery-operated, and is mainly active in the Basic Vacuum segment but also in the Robot segment, where apparently, it is investing efforts. Aiper sells pool cleaning products priced from USD 150 to USD 1,300, and its products are dominant in the under USD 500 price range.

In addition to the aforesaid competitors, there are also several other manufacturers, some of them in China, including 8stream, Fairland, Sub-Blue and Kokido, which is owned by BWT.

Presented below is information on the market shares held by the Company and its competitors of the private pool Robotic Cleaner sub-segment in the global market[7], in terms of the number of Robots sold in the reporting year:

Company	Estimated range of market share of the Robot sub-segment (1), (2)
Maytronics	51%-56% (3)
Fluidra (Aqua Products+Zodiac)	24%-27%
Aiper	4%-8%
Winny	3%-5%
Other manufacturers (including Chinese manufacturers, BWT and Hayward)	10%-12%%

(1) According to the Company's estimates, the Robot sub-segment accounts for 91%-94% of the Electronic Cleaner segment (Robots and Basic Vacuums) in sell-out price terms.

(2) For the Company's perspective over the years of the Electronic Cleaner market and its frame of reference, see section 2.1.1A above.

(3) Compared to prior years, the Company estimates that in the past four years, its share of the Robot market is between 52% and 56%.

H. **The Company's methods for contending with the competition**

The Company is positioned as a market leader in performance, product quality, innovation and quality of the technical support provided to its customers. Its products are generally sold at a higher price level than those of its competitors. The Company is also characterized by close and longstanding relationships with its customers (distributors in various countries), as reflected in visits to customer sites, conducting professional seminars (marketing and technical, up to the dealer level), and close support within the framework of the regional service centers. For further information, see also section 3.2 below. In strategic markets (USA, France, Australia, Germany, Spain, Argentina and Singapore), the Company operates subsidiaries and has representatives with the aim of approaching end customers and maintaining better control of the distribution and service network for its products.

To cope with the competition, as described above, the Company continues to develop and manufacture products offering technological advantages, a high level of quality and reliability, uniqueness and differentiation – from the perspective of the end customer, dealer and distributor. The uniqueness of the Company's products is reflected in the product variety, the segmentation into product levels, the superior scanning capabilities of its devices (which is enabled by engineering design and software intelligence), device performance (filtering and brushing) and their reliability. The technical support and service which are guaranteed to end customers differentiate the Company from its competitors. The vast majority of the Company's Robots are sold under the "Dolphin by Maytronics" brand, a brand that is identified with the Company and is considered

7 The Company does not have official or verified data, and the data presented below regarding the distribution of market share represent the Company's internal estimates, based on quantitative data received from the Company's distributors, and on discussions with professional entities in the market and at international exhibitions, and therefore does not constitute verified or accurate information.

strong in the market due to its prime status, quality and performance. The Company promotes a unique and clear method of distribution through various channels, in a manner whereby each arm in the distribution chain applies the strategy, in full collaboration with the Company. This strategy has proven itself well for many years. The Company has also worked with the best distributors in the market (in all territories) for many years, and loyalty is very strong. The relationship is further strengthened by a unique relationship and business culture, as well as a technologically advanced customer service and support network, including in terms of IT infrastructure.

In the past few years, the Company upgraded its work capabilities for online sale channels in terms of the visibility of sales pages, analytical tools to identify consumer trends, and commercial relationships, which together constitute a competitive advantage in that sales channel, and also acquired one of the largest eCommerce players in the US pool market, ECCXI US, and has begun to leverage its capabilities in the European market as well.

As described in section 2.1.4, the Company contracted with Seauto and has launched a new product line as an active response to the competition over the medium to low priced market segment.

The information presented above constitutes **forward-looking information**, and as such is uncertain, and may not materialize, in whole or in part, or may materialize differently than expected. This information is based on the Company's assessments regarding the aforesaid target markets, its understanding of its rival's moves, the development, status and market status of their products (including, and particularly, in online distribution channels), the advantage enjoyed by its alternative products, its relationships with distributors, the presence of subsidiaries in important regions, the ability of all of these components to deliver solutions to the increasing competition and other changes which may take place in its operating segments, and its assessment regarding the intensity of the competition in the markets in which it is active. The estimates presented above may not materialize, or may materialize differently, insofar as the Company's estimations regarding its competitive advantages, the capabilities of its products, its relationships with distributors, the capabilities of its subsidiaries, and the capabilities of its competitors, turn out to be incorrect, and due to other risk factors applying to the Company and its activities, as specified in section 3.22 below.

2.2 Public pool robotic cleaner segment

2.2.1 General information regarding the public pool cleaner segment

A. Structure of the operating segment and changes occurring therein

The market for Robotic Cleaners for public pools constitutes a part of the global market of supplementary products for public swimming pools and is affected by developments therein. The market for Robotic Cleaners for public pools is also expanding continuously; however, the growth rate in the market is lower than that of the private pool segment and is estimated at around 1%-3% per year. The types of pools in this market can be divided into two different groups:

First – the institutional market, i.e., schools, universities, hospitals, sports centers, etc. This segment is characterized by limited budgets on the one hand, while on the other hand, around 40%-50% of the pools are cleaned by Robots.

Second – the hospitality/lodging segment, i.e., hotels, holiday sites, etc. This segment is much larger than the institutional segment in terms of the number of pools; however, the rate of Robotic Cleaners in the segment is lower, and many pools are still cleaned manually. Currently there is a trend of change and penetration of more Robotic Cleaners into this sub-segment as well, inter alia, due to the increase in the cost of labor and the increasing awareness of the Robot's superiority in pool cleaning quality.

There are only two cleaning alternatives for public pools: Electronic Cleaners or manual cleaning, usually by service companies or the pool staff. Additionally, in part, this market is active most days of the year, and accordingly, the spread of sales throughout the year is more uniform. In this way, the segment supports the moderation of the seasonality element in the Company's sales.

As opposed to the market for private pool cleaners, in which the guiding considerations of most customers are product price, brand and exterior design, the market for products designated for public swimming pools is characterized by greater sensitivity among customers to the device's reliability, performance and the service provided for it. In many cases, devices are bought for public swimming pools based on budgetary considerations and constraints, through a pricing and tender process.

Public pools are subject to standards and continuous oversight by the authorities in respect of water quality and pool cleanliness. The strict criteria force pool operators to clean them daily. Additionally, a large number of pools are open for many hours, which leaves little time at night for cleaning and maintenance. Manual work takes several hours and is becoming very expensive, thus encouraging many public pool owners to seek out automated alternatives.

B. <u>Legislative restrictions, standards and special constraints applying to the operating segment</u>

Public pool cleaners are also subject to certification to standards in various countries around the world (for details regarding the standards to which the Company is certified, see section 3.14.2 below).

C. <u>Changes in the scope of activities and profitability in the segment</u>

The market for Robotic Cleaners for public pools is characterized by a slower pace of growth than the market for private pool cleaners, and from past experience, it is more sensitive to economic crises than the private pool segment, but its profitability is higher. According to the Company's estimate, in recent years, growth in this market was relatively high due to the end of the COVID-19 crisis and the lifting of restrictions on public gatherings.

The public market can be divided into three categories, characterized primarily by pool size: Olympic pools and water parks (50-60 square meters); semi-Olympic and school pools (25 square meters); hotel and condominium pools, camping sites, etc. (10-20 square meters). Accordingly, the various Robot models are developed according to the specific features of each category.

D. Critical success factors in the public pool cleaner segment and changes occurring therein

As described below, the Company estimates that its market share in the public pool Robotic Cleaner segment is around 44%. As explained above, the device's reliability, the ability to collect dirt and service are the key to success in the sale of Robots to this market. In recent years, a market trend has been apparent, according to which customers evaluate the products also based on cost/benefit.

Another element is the distribution network. In certain cases, the distributors of private pool products are not knowledgeable about the public pool market. Therefore, it is highly important to create connections with dedicated distributors which are engaged in this segment in each country, or with distributors that allocate the required resources to progress in this segment.

The Company therefore works systematically, in all territories, to build appropriate distribution for this segment, including e-tailing, inclusive of ECCXI US.

The Company is also continuously improving the performance and reliability of its Robots for this market to allow for pool scanning with maximum efficiency, in minimum time and with minimum malfunctions. Thus, for example, the new Robots in this segment are designed for the simplest operation so that the user – usually the pool's on-site lifeguard – experiences minimum inconvenience and ease of use. Additionally, most types of Robotic Cleaners are equipped with an advanced navigation system, which allows the Robot to move in a straight line and with great precision at turns to ensure optimal scanning, both in terms of coverage of the pool area and in terms of cleaning speed. From the servicing aspect, this market sometimes requires rapid repair of Robots at the pool site. Maytronics ensures, in respect of all new developments for the public pool segment, that solutions are in place to satisfy this requirement.

E. Main barriers to entry and exit in the public pool cleaner segment and changes occurring therein

The barriers to entry in this segment are, for the most part, as follows:

- Requirement of knowledge and specialization in product development, including the financial investment which is required for this purpose, and the ability to market the products through the appropriate channels. The Olympic and semi-Olympic pool category requires a heavy-duty product, which has been well-planned to withstand particularly difficult and intensive work conditions.

- The organization's ability to establish a distribution and support network, including demonstrations and pre- and after-sale service.

- The substantial importance of the reputation of the brand and company in this segment, since customers hesitate to risk choosing an unfamiliar manufacturer when the investment involved is significant for them.

F. Alternatives to public pool cleaners and changes occurring therein

The only alternative to Robots in this segment is manual cleaning. Manual cleaning is only possible in pools no wider than 20 meters. The wider the pool, the more likely that a Robot will be purchased to perform this task. The quality of manual cleaning also depends on the activities of the cleaner, who often leaves pools in unsatisfactory levels of cleanliness. According to the Company's estimate, there is a positive but slow trend of growth in the rate of public pools of all sizes which are cleaned by Robots.

G. Structure of the competition in the public pool cleaner segment and changes occurring therein

To the best of the Company's knowledge, as of the date of the periodic report, Maytronics has four main competitors which manufacture Robotic Cleaners for public pools (all of which have been active for many years), as follows:

- The Swiss company Mariner 3s AG (hereinafter: "**Mariner**").
- The French company Hexagone Manufacture SAS (hereinafter: "**Hexagone**").
- Aquatron, owned by BWT, in the mid to low-end market, mainly in Europe.
- Aqua Products and Zodia, owned by Fluidra, in the mid to low-end US market.

As stated above, and as specified below, the Company has various models which are adapted to each segment of the public pool market.

2.2.2 Products and services

A. General characteristics of the products

The Company manufactures a broad range of Robotic Cleaners for public swimming pools in hotels, schools, sports centers, water parks and Olympic facilities. The Company's Robots are suitable for the entire array of swimming pool surfaces and shapes. They feature special cleaning programs and are equipped with heavy-duty units which are intended to upgrade and improve the performance of the device, as well as its reliability throughout its period of use. For additional details regarding the Robots' general characteristics and the adaptation of features of specific Robots to the cleaner's use, see section 2.1.2A above.

B. Types of public pool cleaners and their characteristics

The Company has a variety of Robots which are suitable for the cleaning of public pools. The Robots which are intended for public pools of medium length, up to 20 meters, feature a cable which includes a swivel function to prevent cable twisting, a dedicated scanning program, engines suited for the required workload in such pools, and a longer work cycle (which is intended to enable efficient cleaning of pools of these sizes), and a scanning control system which allows for optimal coverage of the pool area, in minimum time. These Robots are furnished with the capability to climb walls and to clean the water line.

For the market of large and Olympic sized pools (pools 20 to 60 meters long), the Company produces a series of Robots, including the Wave (150, 200, 300) and 2X2 lines. These models are double the size of private pool Robots, include a heavy-duty carrying basket, massive drive and pumping units planned to handle high loads, and dedicated cleaning parameters. The Wave line includes an advanced navigation system, active brushing, upper access to filter bags, and an advanced user interface.

The technologies used in each type of device (except for the Wave line) are similar to those used in Robotic Cleaners for private pools. However, public pool products are differentiated from products intended for private pools in several parameters: the operating program, features, increased pumping capacity, type of drive and pump engines (brushless, heavy duty), cable length, reinforced drive system and warranty period.

Main models of Robotic Cleaners for public pools:

- W20 Robot: A Robot designed for shallow children's pools up to 15 meters long, which are included in most public pool complexes. This Robot is the only one of its kind on the market that offers solutions for these pools.
- Pro-X, Wave 100, Wave 90i, Wave 80, Wave 75, Wave 60: Robots designed for medium size hotel pools up to 20 meters long. These include a longer cable, larger filter volume and stronger engines.
- Wave 200, Wave 150, Wave 120: Robots designed for municipal pools – generally, 20-25 meters long, water park pools and large pools in holiday villages. These Robots include a more efficient and faster pool scanning system, an advanced and large filtering system, active brushing, and an advanced user interface which allows for adjustment to non-standard pools.
- Wave 300: A Robot intended for Olympic-sized pools up to 60 meters long, with more powerful engines and stronger suction power, and larger filtering volume.

C. Replacement parts and testing equipment

In addition to the products themselves, the Company also sells to its customers replacement parts and dedicated testing and repair equipment. The Wave device has specific equipment which allows for the performance of a complete analysis and repair of the device at the poolside.

D. Product markets and service

The markets for public pool cleaners and the service provided for them differ in several respects compared to private pool cleaners (see section 2.1.2E above). The sensitivity to the availability of service, and even to the ability to provide it poolside, is more significant in this segment than the in private pool cleaner segment. It is noted that due to the wear and tear to which these devices are subjected, the replacement parts component has greater weight in total sales than for private pool Robots.

E. Trends and changes in supply and demand

According to the Company's estimate, the demand for Robotic Cleaners for public pools is also in an ongoing uptrend and is mostly affected by ensuring cleanliness in public areas, the increased cost of labor, and the growing transition to automatic pool cleaning solutions. The Company has built a reputation in this market segment through investment in development and marketing. It is noted that this is still a challenging market, characterized by generally moderate growth.

F. Material expected changes in the Company's share of the major public pool cleaner markets

The Company expects its activities in this segment to continue to develop, along with the expansion and growth of the entire market. To cope with the market challenges, the Company works continuously to improve its distribution network in all markets, refine its marketing strategy and develop innovative products. In the ordinary course of business, the Company expects single-digit growth in this segment in the coming years and views this segment as offering continued business potential in said period due to its broad variety of products, which offer solutions for all types of public pools, as well as the brand's strength and the Company's connections with leading players in the market.

The information presented in sections E and F above - i.e., the information regarding the expected changes in supply and demand in the segment, including the Company's efforts to improve the distribution channels, the development of additional models, and regarding the other expected changes in the Company's market share in the segment - constitutes **forward-looking information**, and as such is uncertain, and may not materialize, in whole or in part, or may materialize differently than expected.

This information is based on the collection of information from the market (discussions, meetings, exhibitions) and professional materials published from time to time, the Company's estimates regarding the uniqueness and variety of its products in the segment, its expected market share and its working assumptions and intentions, as of the date of this periodic report.

The forecasts presented above may not materialize, or may materialize only in part, due to failure by the Company to introduce models that are perceived as preferable, difficulties in penetrating its new products to the segment, due to malfunctions or for any other reason, due to rival activities in the segment, as well as the other risk factors applying to the Company and its business, as specified in section 3.22 below.

2.2.3 **Segmentation of revenue and profitability of products and services – public pool cleaners**

In 2021-2023, the public pool Robotic Cleaner segment accounted for around 6% of the Company's sales.

Revenues from each product group - public pool cleaners:

Product name	**2021**		**2022**		**2023**	
	Percentage of total segment revenues	Revenues (NIS thousands)	Percentage of total segment revenues	Revenues (NIS thousands)	Percentage of total segment revenues	Revenues (NIS thousands)
Robots	79%	60,387	81%	78,559	84%	92,550
Replacement parts	21%	16,147	19%	18,057	16%	18,231
Total		**76,534**		**96,616**		**110,781**

2.2.4 New products

In the reporting year, the Company began marketing the Wave 90i Robot for public pools of up to 20 meters long, with IoT capabilities that enable control of the Robot via a dedicated app, delivering optimal service and advanced cleaning capabilities. The Company continues to invest resources and is working to implement a relevant product map for the coming years in this segment as well.

2.2.5 Order backlog

A. The order backlog of public pool cleaners on December 31, 2023 amounted to NIS 4,343 thousand compared to NIS 16,681 thousand on December 31, 2022, reflecting a decline of 74%.

B. Like the backlog for private pool Robots, the order backlog at the end of the reporting year was affected by existing inventories in the distribution channel (regarding the post-COVID crisis, see section 1.6.4 above) and the Company's improved production capacity, and combined with high interest rates, these factors resulted in a decline in the order backlog. As of March 17, 2024, backlog was NIS 10,136 thousand, compared to NIS 19,847 thousand on March 16, 2023.

C. Most of the sales in this segment are delivered within a few weeks after the date of receipt of the customer's order.

Distribution of the order backlog for public pool cleaners in NIS thousands:

Order backlog as of March 17, 2024	Expected revenue recognition period	Order backlog as of December 31, 2022	Order backlog as of December 31, 2023
5,172	First quarter	12,010	3,879
4,689	Second quarter	2,669	464
219	Third quarter	1,668	0
56	Fourth quarter	334	0
10,136	**Total**	**16,681**	**4,343**

2.2.6 **Competition**

A. According to the Company's estimate, its share of the global market in 2023 amounted to around 44% of sales of Robotic Cleaners for public pools[8].

B. The number of Robot manufacturers in this segment is generally stable, and during the aforesaid period, no significant new manufacturer entered the market. This stability is due, inter alia, to a high technological threshold, a relatively small market requiring specialization, knowledge and investment in product development, after-sale service, and reliance on dedicated and local distribution and/or direct sale channels.

C. Other major manufacturers:

To the best of the Company's knowledge, as of the date of the periodic report, Maytronics has four main competitors which manufacture Robotic Cleaners for public pools (all of which have been active for many years):

1. Aqua Products and Zodiac, owned by Fluidra, which is active in the Robot segment for both the private and public markets. The company has a wide variety of Robots which are mostly intended for the hospitality/lodging market and is active in the North American market. The prices of this company's products are generally low compared to the Company's products. In 2022, Fluidra launched 2 Robot models for the public market, and in the reporting year, launched a new model for the HMAC market.

2. Aquatron – owned by BWT, which is active in the Robot segment for both the private and public markets. In the public segment, this company has a wide variety of Robots which are mostly intended for the hospitality/lodging market, and it is active in the European and Australian markets. The prices of this company's products are generally low compared to the Company's products.

3. Mariner 3s AG - A Swiss company which is the veteran company in the segment of Robotic Cleaners for public pools. The Robots produced by this company are generally more expensive, larger and heavier than the Company's products.

[8] The above estimates constitute internal estimates of the Company, which are based on quantitative data received from the Company's distributors, and on discussions with professional entities in the market and at international exhibitions, and therefore do not constitute verified or accurate information.

Additionally, the base used in its devices is made of metal, which over time is corroded by the salt that is present more and more in pools as an alternative to chlorine. Their advantage is in their advanced navigation system, which allows for direct and strong control of their movement, resulting in precise scanning of the pool floor. On the other hand, the Robots' heavy weight is their disadvantage – since it makes it difficult to place them in or remove them from the pool, and their operating system is less user-friendly than the operating system in Company's products. Mariner is a strong brand in this segment. Most of its sales are in Europe – in the institutional market – where most of its business is located. The Company has three main models of Robots which are suitable for public pools of various sizes.

4. Hexagone – a veteran French company, specializing primarily in the municipal public pool cleaner segment. Hexagone sells several public pool cleaner models and is dominant mostly in the French market. Hexagone has also developed distribution channels, inter alia, in the United States, Italy, Germany and Australia, with the aim of selling and supporting the product directly in those territories.

5. In addition to the above companies there are also several other local companies, although their market shares remain insignificant.

Presented below is information regarding the market shares of the Company and its competitors (the Company does not have official or verified figures, and the foregoing constitutes the Company's internal estimate regarding market share) in the public pool cleaner segment:

Company	Market share in the segment
Maytronics	43%-45%
Mariner	17%-19%
Hexagone	19%-21%
Aquatron – BWT	3%-5%
Fluidra (Aqua Products & Zodiac)	5%-7%
Others	7%-9%

2.2.7 **The Company's methods for contending with the competition**

In the public pool cleaner segment, the Company copes with the competition by focusing on the production of a wide variety of unique products, from the perspective of customers and distributors alike, which allow it to differentiate itself from its rivals.

The Company's strategy in this segment is to develop and market a variety of Robots which are suitable for each public market segment. It thereby differentiates itself from its competitors, which focus only on a certain segment of this market. The Company positions its products as high-quality products featuring advanced technologies, offering a high cost/benefit ratio to customers, along with a global, high-quality, accessible infrastructure. Furthermore, the Company markets its products through a variety of channels, via distributors as well as its subsidiaries.

The following table presents the main models of public pool Robots and the market segments they serve:

Olympic institutional pools 50-60m Wave 300 XL	Institutional pools up to 40m Wave 200 XL	Institutional pools up to 35m Wave 140 | Wave 150 | Wave 120 | Dolphin 2x2	Hotel pools Wave 60 | Wave 80 | Wave 90i | Wave 100 | Dolphin Pro X	Shallow children's pools W20

2.3 Safety products and related pool products segment

2.3.1 General information regarding the safety products and pool accessories segment:

A. Structure of the operating segment and changes occurring therein

This operating segment includes three sub-segments:

(1) **Private pool alarms and drowning detection systems for public pools**

(2) **Automatic covers** for private swimming pools, which offer safety, protection from dirt, and deceleration of water evaporation and chemical loss.

(3) **Related pool products, including those for monitoring, control and treatment of swimming pool water,** which include:

(a) Products marketed by the Company's subsidiaries – a broad range of products for the pool and surrounding pool area that are not manufactured by the Company, but the Company is engaged in their wholesale or retail trade.

(b) New product development: As part of the Company's strategy, which is described in section 3.17, in recent years the Company has been working to develop advanced systems and solutions for the monitoring, control and treatment of pool water. At this stage, the above includes only expenses and investments in research and development.

Presented below are details regarding each of the sub-segments:

(1) Private pool alarms and drowning detection systems for public pools

This sub-segment is divided into the following two categories:

- **Private pool alarm products:** These products are intended to provide an alert of unmonitored entry by children and babies into the pool (for additional details, see section 2.3.2A below), and as such, they are subject to governmental regulation. The Company does not plan to invest in the development of new products for this segment and will focus on sales of existing products, mostly in France.
- **Drowning detection systems for public pools:** These systems, which are sold under the brand name Poseidon (hereinafter: "**Poseidon**"), are integrated camera and computer systems adapted for each specific pool, and are used by the lifeguard staff of public pools (for additional details, see section 2.3.2B below). As such, they were mostly sold to municipal entities, in a long selling process requiring a dedicated sales team. The Company (through its subsidiary MTFR) was the first in the world to develop and sell a product of this kind, which includes numerous software-integrated technologies and digital vision and is protected by several patents, and it is considered the world leader in this segment. The cost of these systems is high, and they are sold at an average price of around USD/EUR 120,000 due to their customized installation, complexity, and variability between pools.

  It is further noted that, in addition to the revenues from sales of the system, the Company also has regular revenues from maintenance and calibration services for existing systems.

(2) Automatic covers

These products are manufactured and marketed by the subsidiary in France, MTFR. In general, this segment is growing moderately throughout Europe, mainly in France, but in the reporting year the segment contracted following the reduction in new pool construction. These products combine preventive safety, maintenance of water temperature, prevention of dirt entering the pool, savings in chemical use and convenience thanks to the installation of a cover on top of the pool. Competition in France is relatively intense and is characterized by 4-5 large players and another 8-9 small players. The level of innovation for this product is relatively low. The product requires installation by a professional installer on the pool itself, and the purchase price for European customers ranges from EUR 2,500 to EUR 15,000. This business benefits from the association with Maytronics' Dolphin brand, and the ability to sell several products, including robots, in a single package, to the same customer.

In this segment, the Company has advanced automation, which enhances its status in the market and positions it as one of the leading companies in the segment, which invests and strives toward continuous improvement. Like sales of private robotic cleaners, after several years of consistent growth in the pool cover segment, in 2023 segment revenues declined by 6% following the reduction in the number of new pools built compared to last year.

(3) Supplementary products for the monitoring, control and treatment of swimming pool water

(a) Product sales in the sub-segment -

The supplementary products sold by the Group are products for the swimming pool segment which the Company distributes through its subsidiaries.

These products currently include:

- An active glass mix for filters.
- The German company BF GmbH is mainly active in wholesale sales of a broad variety of pool-related products, including, inter alia, pumps, filters, pool covers, manual pool cleaning tools, water heaters, and water cleaning chemicals.
- ECCXI US, which is mainly active in retail sales of a broad range of products and spare parts for swimming pools in a number of online marketplaces in the North American market.

(b) A pool water disinfection solution that combines Dead Sea minerals with ozone disinfection technology, manufactured and marketed by MTAU since it acquired the business in 2020.

(c) Product development in the sub-segment –

- The Company is working on the development of the future generation of pool water management and sanitation systems, and has established an in-house startup operation for this purpose.
- In the reporting period, following a review of development work in this sphere, a decision was made to focus on a product line that integrates water sensor capabilities and control, making controlled use of ozone purification technology combined with a chlorinator and Dead Sea minerals.
- The product line has integrated capabilities developed by the Company as part of its development work in the water technologies segment in recent years, i.e., integration of water sensor capabilities, cloud data processing technology, AI-based technology and advanced algorithms, which will deliver a complete solution for the sanitation and management of the pool water and is designed for private pools.
- The Company has developed a unique algorithm based on different sensors that performs AI-based optimization processes for the smart activation of the sanitizer, which will be reflected in chemical and energy savings.
- The system will include a dedicated app that provides information on the functioning of the system and all applications in the pool for optimal management.

- The system will be installed alongside the existing pool systems (external pump and filter) and will transmit data to the pool owner's smartphone.
- In parallel to development work, the Company plans to work to strengthen the marketing, distribution and sales channels for these products, including through partnerships with leading players active in the construction and maintenance of private swimming pools.
- In 2024, a first product in this line will be launched in certain territories, integrating capabilities that were developed in the Water Technology Department in the Company in Israel with the capabilities of the product currently manufactured by MTAU.
- At a later stage, in the course of 2025 the Company is planning a soft launch of an additional product that will offer a broader value proposition that integrates water sanitation technologies (ozone and chlorination) with AI capabilities, cloud computing and advanced algorithms, which is expected to facilitate pool water treatement.

The information presented above regarding the Company's plans and activities for the development of products in the monitoring, control and treatment of pool water segment, and its expected materialization, constitutes **forward-looking information**, and as such is uncertain, and may not materialize, in whole or in part, or may materialize differently than expected. This information is based on the Company's current plans, on its understanding of the roadmap leading to the completion of development and rendering the products applicable, on its assessment of their inherent potential, and the resources which are required to achieve the goals in this field. The assessments presented above may not materialize, or may materialize differently, insofar as the Company's assessment regarding the potential of the developments or the roadmap to their completion is found to be incorrect, including due to unexpected difficulties in completing the developments or in the ability of the final products to meet expectations, their economic viability, changes in the Company's intentions or plans regarding their continued development, including due to various managerial or budgetary considerations, and due to other risk factors applying to the Company and its activities, as specified in section 3.22 below.

The Company carefully chooses the products in the supplementary product sub-segment, the distribution or development of which it is considering as described, so that they are consistent with its marketing strategy, synergy considerations and will strengthen the Company's brand in the market. Additionally, emphasis is placed on maintaining the Company's focus in general, and its salespeople's focus in particular, on its core business operations (swimming pools only).

B. <u>Legislative restrictions, standards and special constraints applying to the operating segment</u>

The activities of MTFR in the private pool alarm segment is currently subject to safety standards in France and in the United States – with which the Company is required to comply. The automatic cover segment is also subject to similar safety standards in France.

As of the end of 2023, MTFR meets the requirements and standards in France, in respect of all alarm and cover models.

Regarding the Poseidon system, in 2017 the ISO 20380 standard was published, which defines the mandatory requirements and quality tests for software- and hardware-based computerized drowning detection systems in public pools. The standard quotes and refers to several of the Company's patents. The Company is compliant with the standard. Another relevant international standard, ISO/WD 20288, is currently under review. The adoption of ISO 20380 and the review of an additional standard illustrates the importance of safety and drowning prevention in public swimming pools.

C. <u>Changes in the scope of activities and profitability in the segment</u>

The Company is working to expand the scope of its activities in this segment by introducing supplementary products to the pool market and by distributing pool safety products (mainly automatic pool covers in the key market in France).

In addition, the Company focuses its development activities in this segment on developing a solution for pool water sanitation using ozone technology and a chlorinator combined with sensors, cloud computing technology and AI, as described above. The Company applies AI-based algorithms for more efficient, economical and healthier management of the pool by the device, and to supply the necessary information to the pool owner via a dedicated app that delivers information on all apps in the pool. In 2023, development costs in this segment amounted to NIS 13.6 million in net R&D expenses, and NIS 7.9 million in investments and cost capitalization. In 2024, the Company expects costs in this sphere to amount to NIS 19.4 million (not including M&A).

D. <u>Developments in the markets of the operating segment or changes in the characteristics of its customers</u>

Customers for the alarm, automatic cover and supplementary products segment are owners of private swimming pools.

Customers who buy the Poseidon system are owners of public pools, mostly municipal entities. In the United States, public pools are also operated by private organizations. As market leader in the segment, the Company is working to expand the market by various means, including penetration of new territories such as countries in Asia; addition of a direct sales force in territories such as Germany and Scandinavia; financing arrangements; offering products on two levels of featurization; evaluation of business models and others. In the past, the Company focused its marketing efforts on the segment of new pools under construction; however, it is currently also directing efforts towards the market of existing pools, which offer most of the growth potential in this sub-segment.

The Company won a tender for the installation of Poseidon systems in a large project in Singapore. After a successful pilot process, the Company has installed 17 systems since 2019, and as of the reporting date, 2 more systems are currently being installed. In the coming year, 1-3 more systems will be installed in the framework of the project.

Singapore will thereby become the first territory to install the Poseidon system in all municipal swimming pools under its supervision.

While the demand for private pool alarms, notwithstanding their relatively cheap price, is a direct result of legislation, the demand for automatic covers is due both to legislation and the many additional benefits for the pool owner, including maintaining water temperature and energy savings, maintaining pool cleanliness, and decelerating the rate of chemical evaporation. Since the automatic covers are unique to each pool (as opposed to robots and alarms for private pools, which are a plug & play product), it is more convenient to market them within a limited radius from their manufacturing location. For this reason, growth of this product is expected to take place mostly in France.

The products in the pool water monitoring, control and treatment segment, which are in the development stage, are designed for private pool owners.

E. Technological changes which have the potential to significantly affect the operating segment

As described above, the Company is working on the development of a pool water sanitation solution using ozone technology and a chlorinator combined with sensors, cloud computing technology and AI. The above information, i.e., the information regarding the inherent potential of the pool water monitoring, control and treatment segment, constitutes **forward-looking information**, and as such is uncertain, and may not materialize, or may materialize differently than expected.

This information is based on the collection of data from the market (market studies, discussions and meetings with players in the relevant segment, exhibitions, etc.), the Company's estimates regarding the uniqueness of the system it is developing, and its working assumptions and intentions as of the date of this periodic report.

The forecasts presented above may not materialize, or may materialize only in part, due to failure by the Company to develop a system which provides an adequate solution to needs in the aforesaid segment, problems and unexpected malfunctions in the system, unexpected gaps between projected market needs and the market's actual response to the system, the emergence of rivals in the segment, economic inviability of the products, changes in the Company's goals and in the methods used to achieve them, and other risk factors applying to the Company and its activities, as specified in section 3.22 below.

F. Critical success factors in the segment and changes occurring therein

Ability to comply with regulatory requirements and safety standards

As mentioned, the activities of MTFR in the segment of alarms and covers for private pools is subject to regulations which apply in respect of the oversight of pool safety products and are affected by changes therein, in terms of the need for MTFR to respond to those requirements, which change from time to time, to ensure that the product's compliance with the standard is maintained.

Innovation in new product development

As stated above, the Company is working on the development of innovative and unique technological products for the pool water monitoring and treatment segment. According to the Company's estimate, critical success factors include the successful development of innovative products, with high reliability and quality, which provide significant functional and business value to customers and are competitively priced for end users.

The information presented above in this section – i.e., the information regarding the development of unique products which will be distributed by the Company - constitutes **forward-looking information**, and as such is uncertain, and may not materialize, or may materialize differently than expected. This information is based on the collection and analysis of information from the market, communication with manufacturers of supplementary products (discussions, meetings, exhibitions) and professional material which is published from time to time, the Company's estimates regarding the ability to develop new products in this field and the ability to distribute the supplementary products both separately and together with its products, and its working assumptions and intentions, as of the date of this periodic report.

The forecasts presented above may not materialize, or may materialize only in part, due to changes in the orientation of the Company's product mix, as decided by the Company, due to unexpected difficulties in the development of the aforementioned products or limited availability of supplementary products which are attractive or which correspond, in terms of their characteristics and features, to the supplementary products which the Company is able or wishes to distribute, difficulties in penetrating its supplementary products separately or together with the Company's products, malfunctions associated with the supplementary products or for any other reason, difficulties in completing the development of new technological products, the activities of rivals in this market, economic inviability of the products, and other risk factors applying to the Company and its activities, as specified in section 3.22 below.

G. <u>Main barriers to entry and exit in the segment, and changes occurring therein</u>

The private pool alarms sub-segment is based on patents of MTFR, although the main barrier is compliance with laws and standards as well as critical cumulative knowledge. Effectively, at present only 2 manufacturers comply with the French standard, including the Company, which holds an estimated 70% market share in this sub-segment. The Company expects the possible entry of new competitors to the segment.

With respect to drowning detection systems for public pools, these products are unique and require a significant technological investment (dozens of man-years were invested in the development of the Poseidon system) in aspects associated with digital vision, vision systems, and algorithms, along with a significant investment in understanding and penetrating the market, as well as service and support systems. Therefore, the barriers to entry in the drowning detection system sub-segment are relatively high. Nevertheless, there are competitors with cheaper, and in the Company's estimation, less accurate systems, which compete with Poseidon, although according to the Company's estimates, the Poseidon system continues to be the market leader in this sub-segment.

With respect to the automatic cover sub-segment – overall, the barriers to entry and exit are low, although this segment is also subject to safety standards, which in practice results in numerous competitors in territories with high demand. However, the product's large volume and the fact that it must be specifically tailored to each pool constitute barriers to manufacturing it in countries in the Far East, for example, for marketing in Europe.

Regarding the pool water monitoring and treatment sub-segment – this is an innovative segment and the technology is groundbreaking for the pool industry. The necessary investments in terms of development, time and financing, in themselves constitute a significant barrier to rapid entry by rivals.

H. Alternatives to products in the segment and changes occurring therein

With respect to private pool alarms, there are safety products, such as fences and automatic covers, that are more expensive and effective than the alarm, which is a relatively cheap, alert-based safety product. Therefore, use of the alarm depends on the customer's purchasing power (since it represents the cheapest solution available).

With respect to drowning detection systems for public pools – the main alternatives for public pools include the addition of lifeguards, whose cost (investment cost) may be low, although operating costs over time are higher, and their effectiveness is certainly limited given the difficulty of monitoring pool users continuously throughout the pool's hours of operation.

I. Structure of the competition in the segment and changes occurring therein

While there are few competitors in the alarm segment and in the drowning detection system segment, numerous competitors operate in the pool cover segment. The segment is characterized by a relatively large number of players in France, leading to the erosion of product profitability. In France, the competition is based on physical proximity to the market, along with quality and service. The Company has set itself the goal of moving forward based on quality, innovation and excellent service.

In the segment of the pool water sanitation solution using ozone technology and a chlorinator combined with sensors, cloud computing technology and AI there are several competitors, including the three dominant companies in the pool market as well as other manufacturers. Nevertheless, the vast majority of private swimming pools around the world are treated without end-to-end automatic monitoring systems, mostly manually, or using simple systems. The Company therefore estimates that this sub-segment has adequate potential and, consequently, is working on the development of unique technologies and solutions which will allow it to offer added value.

With respect to sections **H** and **I** above, the market for supplementary products (products which are not produced or developed by the Company and are marketed by the subsidiaries) is a heterogeneous market, which consists of several supplementary products with entirely different characteristics that are marketed by a large number of players and do not overlap in all territories. In light of the foregoing and in consideration of the Company's insignificant sales volume in this market, the Company is unable, at this stage, to estimate and review, in qualitative terms, the structure of the competition and the alternatives to each of the supplementary products in this sub-segment.

2.3.2 Products and services

A. Characteristics of safety products for various types of private swimming pools

Private pool alarm products: These products are installed near the water surface and/or poolside and sound an alarm anytime an object (of a certain weight) falls into the water at a time when the water is meant to be free of bathers. The device operates through a sophisticated analysis, which takes place by sensing over- and under-water waves in the pool water. The alarms are manufactured in the Company's plant in Israel, and the MTFR brand for alarms is a leader in the market in France and Europe, with a market share of around 70%.

B. Characteristics of safety products for various types of public swimming pools

Drowning detection systems for public pools: These systems, which are sold under the brand name Poseidon, are developed and manufactured by MTFR. The Poseidon system integrates computer systems which include advanced picture analysis software with sophisticated camera systems, both above and below the water, located at certain points in the pool, in a manner which surrounds and creates an overlap in the coverage of the entire volume of pool water. The system can detect when a person has sunk to the bottom of the pool and has not moved for over 10 seconds, sounding an alarm and directing the lifeguard to the drowning person's location. The product is unique and the market leader. Commercial installations of the product began in 2002, and it is currently installed in over 300 pools around the world. The system has detected, to date, dozens of drowning events in which lives were saved/drowned persons were found, thanks to alerts which were activated in the pool area, including 5 different cases in the second half of 2023.

C. Characteristics of swimming pool covers

Automatic covers for private swimming pools are divided into two types: Those which are powered by an underwater motor, and others which are powered by a motor located outside the pool, both of which are developed, manufactured and marketed by MTFR. The cover keeps the pool clean, maintains its temperature, saves on the use of chemicals by reducing evaporation and prevents the possibility of drowning, thereby delivering significant value. Currently, MTFR is the leading producer of covers in France. It should be noted that a safety standard applies in France for covers of this kind, and the Company's products meet this standard.

D. Characteristics of supplementary products

1. Glass filtration media: This product contains recycled, crushed glass that is subjected to a unique activation process and serves as a filtering agent inside the filter. Glass media has clear advantages over traditional sand, in that it significantly reduces the formation of biofilm (chlorine-resistant bacteria colonies) inside the filter. The glass media which is distributed by the Company is manufactured in Scotland by Dryden-Aqua and is unique in that it offers a far higher filtering capability than any other glass media on the market. The Company also independently manufactures glass media in Australia for the local market, through MTAU.

2. Pool water sanitation solution: This product combines Dead Sea minerals with ozone technology and is currently sold in the Australian market. The next generation of this product is in the phases of development.

3. Product line in the monitoring, control and treatment of swimming pool water segment: For the features of these products (which, as stated, are in the phases of development), see section 2.3.1A (3) above.

E. Product markets (main markets)

Alarms for private swimming pools are sold mainly in France, where private pool safety legislation has been enacted.

Drowning detection systems are sold mainly in Europe, although the Company is working on the development of new markets, and the product is already being sold in the Far East as well.

Pool covers are sold mainly in France as well as in Israel.

The supplementary products are marketed in Australia, Germany, France and the United States - countries where the Company has subsidiaries.

F. Trends and changes in supply and demand

Sensitivity in this segment mainly concerns private pool alarms, which are exposed to regulatory changes in each country and to changes in the number of new pools built each year. Additionally, growth potential in the public pool alarm segment (Poseidon) is limited due to the price barrier.

Since the products in this sub-segment belong to the general swimming pool product category, demand for them is also affected by climate changes, as discussed above. Products in the segment are also exposed to the risks to which the Company is exposed, as specified in section 3.22 below.

2.3.3 Order backlog

The order backlog of safety products and related pool products on December 31, 2023 amounted to NIS 16,251 thousand compared to NIS 19,501 thousand on December 31, 2022, a decline of around 17% compared to the corresponding period last year. Orders received are for the business season and are received in real time.

On March 17, 2024, proximate to the publication date of this report, the order backlog of safety products and related products amounted to NIS 19,816 thousand, compared to backlog of NIS 18,134 thousand on March 16, 2023.

Presented below are data regarding sales of safety products and related pool products (NIS thousands) by quarter:

Year	Q1	Q2	Q3	Q4	Total
2022*	33,331	48,877	63,484	43,630	189,322
2023	59,745	115,229	83,912	51,246	310,132

* It is noted that sales include the results of the first-time consolidation of ECCXI US, commencing on July 28, 2022.

Chapter C: Matters Concerning the Company's Overall Activity

Further to the information provided in chapter B above regarding each of the Company's separate operating segments (robotic cleaners for private pools, robotic cleaners for public pools, and the safety products and related pool products segment), following is a description of the Company's business operations in their entirety, including information regarding customers, marketing and distribution, etc., which are not described separately in respect of the individual operating segments in view of the systems that are common to all of the Company's operating segments.

3.1 Customers

3.1.1 Customer characteristics and description of transactions with customers

A. Globally (see section 3.2 below), most of the Company's sales are made to distributors, which are active in the following channels:

- Professional sales channels, such as stores for pool products, pool builders and service companies;
- Mass distribution channels to the general public, chains engaged in the sale of end-user products for pools, homes and gardens, including online sales (for certain robot models).

According to the Company's work method, which, as mentioned, is applied globally, it has contracts with most customers on an annual basis. The agreements are renewed each year, based on negotiations between the Company and the customer. The agreement includes, inter alia, the following: the models which will be produced for the customer, product prices, the Company's warranty, incentives for the sale of the Company's products, delivery terms and payment terms. Most of the Company's longstanding customers (customers who have worked with the Company for over ten years) are bound by agreements of this kind.

In general, in most countries (except for North America), distributors operate through numerous decentralized players, none of which has a significant impact on the Company's business.

B. In North America, as described in section 3.2 below, the Company markets and sells its products through a wholly owned subsidiary – MTUS. This company operates in the United States in the same way as the Company's distributors in other countries around the world, i.e., vis-à-vis the same entities and through the same channels as those specified in section 3.1.1A above. This work method includes work with distributors, catalog companies, online companies, buyer groups and pool builders. From 2012 onwards, the market share of the Company's products has increased significantly by the largest distributor in the United States – SCP Distributors LLC (hereinafter: "**SCP**"), which belongs to PoolCorp Group (see section 3.1.2 below). The traditional reason for this is growth in robot sales in general by that distributor, as well as growth in the share of the Company's sales out of the distributor's total sales, at the expense of competitors.

C. In July 2022, through the subsidiary MTUS, the Company acquired ECCXI US, which operates out of Texas and specializes in eCommerce in the pool business. The acquisition has enabled the Company to make sales on a significant scale on this platform and to implement its strategy, which focuses on digitization and deepening business knowledge in sales to the end user, and in this way, to strengthen the corporate brand and maximize the value proposition to the end user in this significant territory (for further information, see section 3.2.2 below).

D. After the reporting year, the Company also initiated eCommerce business in Europe by ECCXI Europe, which is wholly owned by the Company and was established in Israel in late 2023.

E. In the public pool robot segment, the Company works in most cases with the same customers that buy robots for private pools, i.e., distributors which operate in the various territories and subsidiaries, but is also active in eTail through ECCXI US. However, in this segment, the Company enjoys more significant growth in territories where the distributor/subsidiary allocates dedicated resources to focusing on the sale of robots to the public market (for details regarding the unique nature of sales in this segment, see section 2.2.1 above).

F. Customers in the safety products and related pool products segment are diverse, and include distribution companies, pool builders, chains, buyer groups and independent dealers (agents).

G. Customers who buy the Poseidon system are owners of public pools, such as municipalities, community centers and sports centers.

3.1.2 **Material customers**

Over the years the Company has had several substantial customers, from which revenues have accounted for 10% or more of the Company's total revenues, and their loss would have a significant impact on the Company's business in the short term.

Since the establishment of MTUS in the United States in 2007, through the acquisition of MTFR in France in 2009, the formation of MTAU in Australia in 2011, the acquisition of BF in 2020 and the acquisition of ECCXI US in 2022, the Company has solidified anchors of its own in the various markets.

In the reporting year, the Company had one material customer – SCP, to which total sales in the reporting year amounted to NIS 488 million and accounted for 26% of the Company's total sales. SCP is a member of the global PoolCorp Group – a wholesale distributor with over 420 swimming pool equipment sites worldwide. The customer's group is headquartered in the United States, and Maytronics Israel (MTIL) sales are mostly made directly to eight branches located throughout Europe: France, Germany, Italy, Spain, Portugal, England, Croatia and Benelux. MTUS also sells directly to SCP USA. Maytronics Group is engaged in several distribution agreements with SCP Group. Maytronics Israel has one agreement which includes all European branches mentioned above, and MTUS has an additional agreement with SCP USA. The engagement with SCP Group began in 2012 and is renewed each year under standard distribution contracts in Europe and the US.

The distribution agreement corresponds to the Company's other agreements with its customers, including, inter alia, details regarding product prices, ordering methods, warranty, terms of delivery and payment terms.

The Company first contracted with SCP/PoolCorp Group in 2012, as stated above, and expects to maintain the relationship with the customer in coming years as a strategic partner, investing significantly in cultivating shared business relations. The Company estimates that loss of this customer would have a significant impact on its business. However, it estimates that the damage will be limited to the short term, and that the effect can be mitigated in the medium term. The Company bases this estimate on its strong, close relationships with dealers, professionals, and end users, as well as on the assumption that considering the quality and presence of the Company's products in the global market, the engagement between the parties is of mutual interest.

The Company applies measures to routinely manage this risk, including, inter alia, by maintaining additional distribution channels in each territory. In this context, it is noted that since the initiation of the Company's business with SCP, the Company has won the SCP outstanding supplier award several times. The Company considers this customer an important strategic partner and is therefore working in many areas to provide optimal service to the customer, and to strengthen the link between the companies. The customer's payment ethic, and the business relationship with it, are very strong.

It is noted that in 2022, as stated above, the Company completed the acquisition of ECCXI US, North America's biggest online pool supply e-tailer and a former customer of SCP. After the acquisition as well, the Company continues to use SCP as a distributor in its sales to ECCXI US, after reaching an arrangement with SCP regarding the sales of its products by SCP to ECCXI US. The arrangement contains guidelines for the Company's sales through SCP to ECCXI US and commercial issues such as sales turnovers in different channels, turnover discounts, etc. The acquisition has placed the Company in a better position to strengthen its eCommerce business versus rivals, and to realize the high growth potential in the territory.

This information regarding the Company's sales to SCP and dependency on the customer constitutes **forward-looking information**, and as such is uncertain, and may not materialize, in whole or in part, or may materialize differently than expected. This information is based on the Company's estimates and plans and its understanding of SCP's conduct, its ability to provide SCP with the products it seeks to purchase from the Company, according to the expected schedule and of the expected quality. This forecast may not materialize, or may materialize only in part, insofar as SCP's response to the Company's products is different, insofar as the Company is unable to meet SCP's expectations, insofar as changes occur in customer preferences, insofar as any changes occur in the relationship between the companies, or due to the impact of a global crisis, or due to the speed of response by the Company's competitors to its products which are sold to SCP, and due to other risk factors applying to the Company, as specified in section 3.22 below.

3.1.3 **Customer loyalty**

The Company has longstanding relationships with many of its customers. The stable relationships between the Company and its customers are due, inter alia, to the high level of trust based on a clean and fair business culture, which are at the foundation of the Company's values. Additionally, each distributor has a base of customers that use the Company's products, which require maintenance and protection, as well as a stock of replacement parts to allow for the provision of service to end customers.

As of the date of this report, the Company has major customers including distributors and large swimming pool equipment chains (the table does not include small customers, such as private stores which buy the Company's products from distributors and subsidiaries) in the private and public pool robotic cleaner segments, according to the following distribution:

Customer's geographic location [9]	**Number of customers**	**2023**	
		Share of total revenues (%)	**Sales (NIS thousands)**
North America	63	59%	938,285
Europe	92	27%	428,328
Israel	10	2%	24,413
Oceania	51	10%	153,386
Rest of the world	15	2%	35,021
Total	**231**	**100%**	**1,579,433**

Presented below are data regarding the tenure of main customers in the private and public pool robotic cleaner segments:

Customer tenure	**Number of Customers**	**2023**	
		Share of total revenues (%)	**Sales (NIS thousands)**
10 years or more	118	54.3%	857,279
5-10 years	52	10.9%	171,744
1-5 years	61	10.2%	161,344
0-1 year (ECCXI US) *		24.6%	389,066
Total	**231**	**100%**	**1,579,433**

* ECCXI US's customers are end users (tens of thousands in number) who buy the products directly online. Until 2022, these sales were recorded as sales to SCP, a veteran customer of the Company in the "10 years or more" category.

More than 95% of customers who purchase pool safety products (private pool alarms, drowning detection systems for public pools and pool covers) are in France, and less than 5% are in the rest of Europe and in Asia. Total sales of safety products in 2023 amounted to NIS 82.5 million.

Related products, which constitute around 73% of sales in the safety products and related pool products segment (and approximately 12% of the Company's total sales), are sold by the subsidiaries to all existing distribution channels in the countries where they operate, including sales by ECCXI US to end users. Total sales of supplementary products in 2023 amounted to NIS 227.6 million.

[9] It is noted that while most of the Company's customers around the world are distributors, in Israel, the United States, France, Australia and Germany, the Company also has smaller end customers and those which use the service centers (the number presented in the table represents the number of customers who are distributors, as well as swimming pool equipment chains).

3.2 Marketing and distribution

3.2.1 Marketing and distribution methods

The Company markets and distributes its products through distributors, and, in certain territories, through subsidiaries. These entities, for their part, work in the various distribution channels, including stores / pool builders / service companies / online marketplaces. The distributors through which the Company operates in each region are leaders in the relevant business field in that region (i.e., companies engaged in the distribution of pool building products and/or in the maintenance and supply of supplementary products for pools, spas and jacuzzis), that possess the ability to provide robust technical support to their customers and are financially sound.

The distributors assist in terms of both marketing and logistics. In some regions, several different distributors work in parallel. In such cases, the distributors' products are sometimes differentiated by shape, features, colors and names. The Company's engagement with its customers/distributors is usually based on long-term trade relationships, but with annual contracts.

As described in section 3.15.8 below, in July 2022 the Company completed the acquisition of ECCXI US, which operates out of Texas and specializes in eCommerce in pool equipment. After the reporting year, the Company also initiated eCommerce business in Europe by ECCXI Europe, which is wholly owned by the Company and was established in Israel in late 2023.

In addition, the Company regularly participates in international trade fairs in the swimming pool products segment with the aim of advertising and promoting its products. The Company promotes its products online by promoting awareness of the brand through digital means, including marketing campaigns, targeted product promotion sites, activities on social media and others, and is working to strategically implement a digital transformation of its marketing systems, in a manner which leverages the digital world (including its various advertising and marketing channels, sale sites, etc.) to promote sales of its products. The Company also invests efforts in sales promotion through the placement of high-end points of sale in stores. The Company also supports distributors through seminars and training sessions in each territory.

Selling and marketing expenses in 2023 amounted to NIS 332,562 thousand (including ECCXI US's marketing expenses) and accounted for 17.6% of the sales turnover.

In 2022, selling and marketing expenses were NIS 238,088 thousand and accounted for 13.3% of turnover, i.e., selling and marketing expenses increased by NIS 94 million, including ECCXI US's expenses.

The increase in selling and marketing expenses in 2023 was largely the result of marketing expenses in ECCXI US, which was initially consolidated in July 2022, due to ECCXI US's eTail business. The percentage of selling and marketing expenses in eTail, including sales commissions on the various online platforms, is higher than the usual level for the Company, most of whose sales are made to distributors, but as explained above, ECCXI US's sales have an important advantage in terms of proximity to the end customer.

As mentioned, as far as business in the United States is concerned, the Company is active through the subsidiary MTUS, which has a distribution and marketing network, including direct salespeople. MTUS has a customer service center in Atlanta, as well as a telephone support and service center. The Company also maintains a safety stock which is intended to provide solutions for unexpected demand. In addition to the service center at the Company's site in Atlanta, several service centers are spread throughout the United States, which are contractually bound to MTUS and assist in providing service.

In France, the Company markets its products mostly through MTFR, which also serves as a sales, service, marketing and distribution arm for robots, in addition to the Company's other distributors operating in that market.

In Australia, the Company markets its products through its subsidiary, MTAU. Most of the Company's customers in Australia are private dealers and chains.

BF GmbH markets and distributes the Company's products in Germany, along with several other distributors.

MTSP supports the Company's distributors in Spain and Portugal and assists in marketing activities, sales promotion, technical support and digital campaigns.

As mentioned, in accordance with its long-term strategy, the Company established anchors in strategic territories such as North America, France, Germany, Spain and Australia and has representatives in Argentina and Singapore. These anchors allow the Company to operate in territories where, in the past, it operated only through distributors, and in this way to reduce risks and to strengthen its ability to deal with unexpected changes in the activities of distributors and rivals in those territories.

This information regarding the continued marketing and distribution of the Company's products through its subsidiaries, as an alternative to its distributors, constitutes **forward-looking information,** and as such is based on the Company's past experience in the market for its products, on its assessment regarding the capabilities of its alternative marketing systems, and its assessment regarding its position and activities in the markets for the relevant products. As such, these estimates are uncertain, and may not materialize, in whole or in part, or may materialize differently than expected, inter alia, if the Company's estimates regarding the market for its products are ultimately incorrect and/or if its alternative marketing systems do not perform as expected and/or due to the activities of its competitors in those markets, and due to other risk factors applying to the Company, as specified in section 3.22 below.

In Israel, the activity constitutes a small share of the Company's overall business; however, it is very important to the Company, in that it allows for close contact with the end customer and the receipt of feedback in real time. As part of this activity, robotic cleaners for private and public pools are sold though local distributors, pool builders and service companies. The Company also provides service for all robotic cleaners sold in Israel.

Maytronics takes great pride in being the leader of the swimming pool market in Israel, and its activity in this market is governed by the competition laws.

3.2.2 **Online marketing and eCommerce**

In recent years, there has been a world trend of shifting to online shopping along with traditional brick-and-mortar shopping, as eCommerce gains ground as a natural part of global digitalization. The trend is also evident in purchases of some pool products, including the Company's products (mainly robotic cleaners and alarms for private pools) and those of its rivals (mainly in the basic vacuum market segment) (for greater detail, see section 1.6.7 above).

As part of this trend and in the interests of getting closer to end customers and gaining a better knowledge of their needs, the Company incorporated digital transformation in its strategic plan for 2025, including the development and sale of IoT pool robots and building and upgrading its online sales while contracting directly with the end user, strengthening the brand among pool owners, and through efficient, personalized digital marketing – while maintaining the Company's traditional distribution channels (for the Company's strategy, see, section 3.17 below).

To realize the strategy and as an essential component of the strategy, in 2022, through the subsidiary MTUS, the Company acquired a 70% stake in ECCXI US, which specializes in eCommerce in the pool business (for information on the acquisition, see the Immediate Reports of July 8, 2022 and July 31, 2022 (reference no. 2022-01-072273 and 2022-01-096949, respectively), which are incorporated by reference.

ECCXI US operates a group of companies, the main one being Backyard Pool Superstore LLC (hereinafter: "**Backyard**")[10], headquartered in Dallas, Texas. Backyard sells a variety of pool products (mostly third-party brands), including robotic pool cleaners, filters, chemicals, pumps and pool parts, working through online marketplaces such as Amazon, Walmart, eBay, Google Shopping and Target, as well as through its own websites, in the B2C format.

Backyard also sells robotic pool cleaners, and the Company's products accounted for around 68% of Backyard's sales in 2023.

Backyard has strong eCommerce capabilities and is considered a leading player in the North American online pool equipment market.

As mentioned, after the reporting year, the Company also initiated eCommerce business in Europe by ECCXI Europe, which is wholly owned by the Company and was established in Israel in late 2023.

Considering the importance attributed by the Company to eTail, toward the end of the reporting period the Company appointed a General Manager Global eCommerce (see section 3.8 below, Human Capital) and worked to orientate the marketing and sales system to the cCommerce arena in a manner that unifies responsibility for this content world, primarily for its business in the Northern Hemisphere (North America and Europe).

The information regarding the potential of eTail in delivering a response to rival activity in the eCommerce channel and as a platform for expanding the Company's pool product portfolio sold via digital channels constitutes **forward-looking information**, and as such is based on the Company's experience in its product market, its estimates regarding the capabilities of its online marketing systems, and an assessment of its position and actions in the markets that are relevant to it. These estimates are uncertain and may not materialize, in whole or in part, or may materialize differently than expected, inter alia, if the Company's assessments of this market turn out to be incorrect and/or its online marketing

[10] For the other companies in the group, see section 1.1 above.

systems do not deliver the anticipated response, and/or due to rival activities in this market, as well as due to other risk factors applying to the Company's activity, as specified in section 3.22 below.

3.2.3 **Dependency on marketing pipelines**

As stated above, the Company's customers consist of its main distributors; however, in recent years the Company has established direct marketing pipelines through its subsidiaries in the United States, France, Australia and Germany, and beginning in 2022, through ECCXI US, which operates out of Texas. The Company estimates that the loss of a material customer would have a significant impact on its business. However, it estimates that the damage will be limited to the short term, and that the effect can be mitigated over the longer term. One of the ways to reduce dependency on marketing channels was the acquistion of ECCXI US, which granted control over a major D2C marketing and sales channel that is growing rapidly in the Company's key market in North America, and in the foreseeable future, in Europe as well.

This information regarding the anticipated impact of the loss of a material customer on the Company's business constitutes **forward-looking information**, and as such is uncertain, and may not materialize, in whole or in part, or may materialize differently than expected. This information is based on the Company's estimates and understanding of its customers' business and its strong connection to the Company's business, the needs of its end customers, the perception of its products as high-quality products and their strong presence in the global market, the Company's past experience, and in light of its activities to manage this risk. This forecast may not materialize, or may materialize only in part, insofar as changes occur in the preferences of the Company's customers, or due to the speed of response of the Company's competitors to the departure of a customer and their provision of suitable alternatives to that customer and its respective customers, or due to a misjudgment by the Company regarding its ability to manage this risk or regarding the strength of the relationship between the Company and its customers, and due to other risk factors applying to the Company, as specified in section 3.22 below.

3.2.4 **Exclusivity agreements**

For details regarding exclusivity agreements related the marketing of the Company's products, see sections 3.1.1 and 3.2 above.

3.3 Seasonality

The Company's sales of all products, excluding the drowning detection system for public pools (Poseidon), are seasonal, with most of the Company's sales taking place in the first two quarters of each year. This seasonality is the result of the fact that these products constitute supplementary swimming pool equipment - equipment which is usually purchased by end customers before and during the summer months in their respective countries. Since most of the supplementary equipment for swimming pools is sold to Europe and North America, where the summer months are the same as in Israel, manufacturers for that market, including the Company, sell most of their products in the pre-summer months, i.e., January to June. This applies to private pools. In relation to public pools - most pools operate all year round, and indeed, most of the products which are sold to this market are generally sold by the Company and by similar suppliers throughout the entire year, with less seasonal effects than in the private pool segment.

The Company balances out the operational seasonality through increased production (to the extent necessary) in the second half of the year, which is intended primarily for North America, to satisfy the demand in that territory in a timely manner. In recent years, the Company has invested significant resources in expanding and upgrading its production infrastructure in Israel and France with the aim of providing a solution to cope with the seasonality phenomenon in particular, and the accelerated growth of the Company's business in general, and to enable the rapid supply of products in the case of immediate demand during the spring and summer seasons (for details, see sections 3.4.1 and 3.5 below).

Presented below are data regarding the Company's sales (in NIS thousands) by quarter:

	Q1	Q2	Q3	Q4	Total
2023	524,425	729,300	332,103	303,737	1,889,565
2022	569,644	566,318	411,920	239,014	1,786,896
2021	419,079	498,542	311,001	180,773	1,409,395

3.4 Production capacity and production control

3.4.1 The private and public pool robotic cleaner segments

The Company currently operates in two production sites: on Kibbutz Yizre'el (hereinafter: the "**Yizre'el Site**") and in Dalton Industrial Park in Northern Israel (hereinafter: the "**Dalton Site**"). Both have the status of Development Area A. The maximum production capacity of the two sites producing private pool robotic cleaners (measured in terms of double shifts plus the periodic reinforcement of night shifts, as needed and according to the Company's standard practice), is around 1,200,000 robots per year (according to the current product mix). Production capacity weights the capacity of the production lines, given the supply chain's overall supply capabilities, including suppliers, the logistics system, etc. The Company continuously reviews its production capacity requirements, and insofar as necessary, can increase production capacity through the expansion of the manufacturing site in Dalton Industrial Park and the Company's supply chain capabilities, as well as by ramping up the automation of its production lines.

In general, the number of production employees varies, and is adjusted according to demand throughout the year. The robot production lines in the Company's plants are process-based, and in most of the reporting year operated in one or two shifts, 5-6 days a week (depending on the production line and the season). In the reporting year, the pace of production of robots was scaled back significantly compared to last year due to the accumulation of post-COVID inventory (see discussion in section 1.6.4 above) in the Company and among its distributors.

The Company invests significant resources in the improvement of manufacturing methods and processes and in the development of automatic lines to produce various units for robots, with the aim of facilitating higher quality, more repetititve and faster manufacturing process.

3.4.2 Safety products and related pool products segment

Private pool alarms are manufactured at the Yizre'el Site. In the safety products segment (excluding the pool cover sub-segment), at present, the Company estimates that there is no effective restriction on production capacity, and the bottleneck is in the rate of sales.

In the pool cover sub-segment, production capacity for covers at MTFR is around 12,000 covers per year, including work in two shifts.

3.4.3 **Quality control**

For several years, the Company has invested ongoing efforts to improve the quality of its products, inter alia, to differentiate it from its competitors and maintain its status as market leader. In this context, the Company has worked, and continues to work, to reduce defects in its products, on several levels, inter alia, as follows: upgrading and adding quality controls to the development process, making improvements to products following feedback from the market, significant investment in continued engineering for product improvement, conducting quality inspections at suppliers' premises, and certification of outside companies to audit quality at the source, including suppliers outside Israel, installation of sophisticated inspection equipment to monitor products at reception, continuous implementation and improvement of controlled assembly processes, computerization of the replacement parts ordering process by customers in order to prevent catalog number errors, implementation and improvement of employee intake and authorization processes, etc. The production process also includes advanced, automation-based production methods to improve assembly processes and the quality of assemblies, including the purchase of advanced equipment for testing electronic cards and complex assemblies. The Company applies Lean methodology to implement a culture of continuous improvement in its processes. The Company considers the quality of its products a central and important component, as well as a significant risk factor for its continued growth, and therefore the VP Quality, who reports directly to the Company's CEO, works together with the quality staff to achieve the Company's QA objectives for its products, which includes outlining quality strategies and a multi-year plan to reduce the failure rate and non-quality costs. In this regard, an automatic malfunction reporting process is in place for products arriving at the service stations around the world for repair. The analysis of malfunctions drives the process of improving components with the aim of preventing the same malfunctions from recurring in the future, and to decrease the failure rate of the Company's products.

The Company implements and manages a quality risk management process and is working on mitigating risks arising in this process. In the reporting year, automatic production systems were added to automated systems to test the integrity of the Company's products, which were introduced in 2022 and enable a faster, higher-quality test involving less use of manpower. In 2024, additional automatic systems are planned to be introduced for the manufacture of sub-assemblies.

3.5 Fixed assets and facilities

3.5.1 Following is an itemization of the Company's main sites and facilities:

a. **Yizre'el Site** – The Company's facilities on the Kibbutz are operated on land which was leased from the Kibbutz and include, inter alia, Corporate HQ, a major production site and main warehouse. Details of the lease agreement between the Company and the

Kibbutz are provided in section 3.15.3 below. The Company owns assets located in the aforesaid area, which are defined as leasehold improvements.

Over the years the Company has expanded its production, warehouse and office areas on Kibbutz Yizre'el to provide a modern, comprehensive and fitting solution for the accelerated growth rate of its business and for its various needs.

In 2023, the Company inaugurated a new office building that serves its Technologies Division. In 2024, the Company is expected to inaugurate another office building on the Kibbutz, which will serve as Corporate HQ (Finance, HR, Plan Management, Marketing and Sales, and the CEO), according to an agreement between the Company and the Kibbutz for the construction and leasing of the Company campus on Kibbutz Yizre'el.

(b) **Dalton Site** – The production site in Dalton was established in 2016 and supports the Company's continuing growth in coming years, while significantly increasing production capacity for private pool robotic cleaners.

The plant at the Dalton Site operates in leased premises in accordance with a lease agreement of 2015, which was expanded in 2020 and 2021. Under the said lease agreements, the Company increased its deployment at the site, and now leases 5 buildings covering a total built-up area of 15,530 square meters, including 5,650 square meters of production halls, 9,530 square meters of warehouses and covered operational areas, and 350 square meters of office space.

The Company's investments in the Dalton Site include leasehold improvements; production and molding facilities; logistics equipment; computer equipment; and furniture and office equipment.

The above investments in the Dalton Plant in 2016-2020 were made under an investment plan approved by the Investment Authority in the Ministry of Economy and Industry, in which the Company received investment grants amounting to 20% of the approved investment.

(c) **The Company's offices in Yokneam** – Under a lease agreement signed in March 2022, the Company rents 1,925 square meters of office space in a building in Yokneam, which serves the Marketing Department, the Plan Management Department and various teams in the Technologies Division.

The information pertaining to the Company's construction plans at its production sites in coming years and the cost of their execution and/or their production capacity constitutes **forward-looking information**, which is based on the Company's current plans and assessments and on its experience with other expansions of its production facilities which it has performed in the past. The Company believes that this information may not materialize, or may materialize differently from the manner described above, inter alia, should the Company's needs or plans change in the foreseeable future or due to unexpected difficulties in implementing the aforesaid construction plans, or due to the materialization of other risk factors applying to the Company's activity.

3.5.2 The Company's production facilities include an electronic card production line and sophisticated tests for cable production lines, and semi-automatic lines for the production of robots and drive units. For details regarding the utilization of the facilities' production capacity, see section 3.4.1 above. The Company also owns, in Israel, molds for manufacturing robot parts through plastic injection, equipment and machinery for operation and development, furniture and equipment, and vehicles/trucks and forklifts.

3.5.3 The Company's plant **at the Yizre'el Site** also includes a production line for all types of MTFR's private pool alarms.

3.5.4 For details regarding the Company's investments in fixed assets during the reporting year, see also Note 12 to the financial statements.

3.5.5 The subsidiary MTFR leases two buildings in an industrial park in the French town of La Ciotat, near Marseilles. One building serves the Company's headquarters, marketing and sales department, service center, finance department and management. The other building is located adjacent to the first building and is used to manufacture and store the covers. The Company also leases an operational site in Paris, which serves for the Poseidon product.

MTUS leases a building in Atlanta, Georgia, which the Company uses as an office area, service center and warehouse. The area of the building is around 4,000 square meters, and investments have been made in respect of leasehold improvements, furniture, infrastructure and facilities, at an amount of around NIS 1 million.

ECCXI US rents office space and warehouses in the US (as described in section 3.2.2 above). Fixed assets owned by ECCXI US refer to shelving and forklifts in the warehouses and are immaterial.

MTAU leases spaces for its activities, and except for leasehold improvements, forklifts and vehicles, it does not own any significant fixed assets.

BF GmbH leases spaces for its operations, including offices, a warehouse and a service center. The Company's fixed assets are immaterial, and include leasehold improvements, forklifts, a truck and an operational vehicle, as well as operational equipment for the service center.

3.6 Research and development

The Company is continuously engaged in the development of new products and in the development of improvements to existing products. The Company is also developing dedicated applications for smartphones and mobile devices to improve the robot's operating interface for pool owners, an element which currently constitutes an integral part of the product itself. Development work is initiated by the Company, in accordance with a multi-year development plan. The development process includes taking into account, inter alia, remarks and suggestions received from the Company's employees and customers, as well as the Company's strategic considerations. Development activities are performed exclusively by the Company. However, insofar as a unique specialization is required for the development of a sub-system or unique application, the development work is performed by a subcontractor and closely managed by the Company.

In the reporting year, the Company invested NIS 81 million in development activities in Israel, including NIS 51.6 million in current research and development expenses, and NIS 29.4 million were capitalized to other assets. The Company is persevering in the implementation of the development plan, which is focused on realizing the Company's vision of being the industry leader while continuing to develop new generations of robots and new products for pool water sanitation and control. Development efforts reflect the importance placed by the Company on the ongoing development of innovative new products as a lever to promote its business and differentiate it from its competitors, both in the private and public pool segments as well as in the related pool products segment.

In 2023, in consolidated terms, the Company invested a total of NIS 86.4 million in development activities, of which NIS 55.1 million were recognized in the financial statements as an expense, and NIS 31.3 million as an intangible asset. It is noted that research and development costs in the water technologies sub-segment constitute around NIS 21.5 million of the total costs presented above (before capitalization). See also section 2.3.1C above.

In 2023, MTFR invested NIS 3.1 million in continued engineering activities to improve product quality in the alarms, covers and Poseidon segment, which were recognized as an expense in the financial statements.

In 2023, MTAU invested NIS 2.2 million in the development and continued engineering of ozone products, of which NIS 0.3 million were recognized in the financial statements as an expense, and NIS 1.9 million as an intangible asset.

In 2024, the Company expects to continue to invest in development in Israel on a scale estimated at NIS 82 million (which, in part, will be carried to profit or loss, whereas the remainder will be accounted for as an intangible asset).

This information pertaining to the Company's plans to invest in development in the coming year constitutes **forward-looking information**, which is based on the Company's current plans and assessments, and on its experience with other development projects it has executed in the past. The Company believes that this information may not materialize, or may materialize differently from the manner described above, inter alia, should the Company's needs or plans change in the foreseeable future or due to unexpected difficulties in implementing the aforesaid development plans, or due to the materialization of other risk factors applying to the Company's activity, as stated in the description of the Company's business in this periodic report.

3.7 Intangible assets

3.7.1 **Patents**

The Company has a variety of registered patents and applications for patent registrations in different technology spheres related to robotic pool cleaners, pool cleaning methods, and pool water monitoring. These registrations grant the Company a competitive advantage and reflect its innovation.

A. The Company has patents in the US, Israel and France for an active brushing mechanism on the bottom of the robot, situated between the robot wheels/brushes near its suction openings. This patent grants the robot an advantage over rivals in removing dirt and algae stuck to the pool bottom, walls and waterline, accompanied by outstanding obstacle avoidance. Development costs were NIS 200 thousand. The Company estimates that the patent's life is expected to be an average of 6 years, as of the reporting date.

B. Additionally, in 2013 the Company acquired a patent family, two of which are currently registered in Italy and in the US, related to features for the active cleaning of the pool and its surfaces, including active brushing. Acquisition costs were NIS 128 thousand. The life of the patent and patent applications is expected to be 1 year, as of the reporting date.

C. The Company has registered patents in Israel and the US for a filtering unit with a unique suction opening. Development costs were NIS 300 thousand. The Company estimates that the patent's life is expected to be around 6 years, as of the reporting date.

D. The Company has registered patent families in the US and in France for automatic swimming pool covers. The first family concerns a water-powered drive that unrolls and spreads the pool cover (instead of an electric motor). The second family concerns an improvement to the safety element of the pool cover through the automatic locking of the pool cover to the pool wall, while the cover is spread over the pool water. The third family, which is registered in the US and in several European countries, concerns a built-in leaf raking mechanism and solar-powered drive. Their economic life is expected to be an average of 8-10 years, as of the reporting date.

E. The Company has a registered patent in the US, Europe and Israel for a pool robotic cleaner with filter self-cleaning capabilities, and three registered patents in Israel, the US and Europe, which feature a spiral filtering mechanism that accelerates the movement of the sucked water, thereby increasing the efficiency of the filtering action. Their economic life is an average of 12 years, as of the reporting date.

F. The Company has registered patent families in the US and in Europe related to internal filter brushing mechanisms or mechanisms for spraying pressurized water over the filters, designed to extended filter cleaning times. Their economic life is expected to be 11-13 years.

G. The Company has three registered patents in Israel, the US and Europe for robot brushes that sweep the dirt on the bottom of the pool toward the middle of the cleaner. Their economic life is expected to be around 10 years.

H. The Company has patent families in Israel, the US and Europe referring to a wide variety of robotic pool cleaner technologies, including patents registered in the US and/or in Europe regarding the asymmetric structure of robotic pool cleaners, water flow-based drive and navigation at the water level, dual filter systems, sophisticated back door drain, a mechanism to bypass the robot's filtering assembly, and future capabilities allowing the robot to float between the floor and the water surface, and on the water. The applications were submitted over several years. Their economic lives are expected to be an average of 11 years.

I. The Company has a patent family, which includes a registered European patent and patent applications in the US and Australia, for a pool cleaner equipped with a camera and underwater lighting system to facilitate navigation and object identification. Their economic life is expected to be around 14 years.

J. The Company has patent applications which were published and patents which are registered in Israel, in the US and in Europe, which constitute a part of several patent families, related to automation and autonomous robot-related actions while the robots are underwater, outside of the water and exiting the pool, as well as autonomous and automatic actions involving the treatment of various filtering mechanisms while the robots are located in or outside of the pool water, with the aim of increasing convenience for end users and extending the intervals at which the user is required is treat the robot's filtering system when it is full or blocked. Emphasis was placed on battery-driven pool cleaners, but not exclusively. Their economic life is expected to be an average of 9-14 years.

K. The Company has registered patents in the US and in Europe for future robots that relate to the movement of the robots along the pool walls, balanced cleaning of pool walls (wall to wall), and balanced transition from one pool wall to the other, including advanced navigation systems and a sensor indicator. Their economic lives are expected to average around 11 years.

L. The Company has several design patents for the design of certain devices, which are already registered in the US, Australia and Europe for those designs. Their economic lives are expected to average around 13 years.

M. The Company has a registered European patent and an application for a US patent related to inductive charging of the pool cleaner's batteries underwater, upon connection to the charging buoy on the pool's surface and outside the pool. Their economic life is expected to be around 16 years.

N. The Company has several patent applications related to the use of pool cleaners or products, including a sophisticated mobile buoy containing a sensor to measure chemical qualities and levels at a variable number of locations throughout the pool. Their economic life is expected to be around 16 years.

O. The Company has several patent applications in the US and in Europe for the autonomous management of pool cleaners that are part of a cluster of robots that includes at least two cleaners (swarm robotics). The individual robots are capable of interacting with each other, and jointly manage the cleaning of certain areas of the pool based on a dynamic division of labor. Their economic life is expected to be around 14 years.

P. The Company has registered patents and several patent applications in the US, Europe and Australia that mainly relate to technology for monitoring, control of the treatment of swimming pool water and water quality, and for monitoring related pool equipment, such as pumps. Their economic life is expected to average around 14 years.

Q. The Company has a registered European patent and a patent application in the US for a pool cleaner that includes a universal inductive plug-socket which allows for the connection of an optical sensor or chemical measuring sensor or retractable battery, or for underwater navigation, etc. The sensor, which is connected magnetically or with a clasp, is removable or replaceable with another sensor, all powered by low inductive voltage, which is also capable of transmitting and receiving data to/from the computerized controller inside the body of the cleaner. Their economic life is expected to be around 14 years.

R. MTFR has unique patent-protected technologies for safety alarms for private pools, and assistive lifeguard technology (drowning detection systems) for public pools under the Poseidon brand.

S. The Company has registered European and US patents for a pool cleaner that includes adjustable vents over openings for the expulsion of water jets in the body of the cleaner to ensure that the cleaner remains tightly attached while moving over the pool floor and walls, as well as activation of a side jet to remove accumulated dirt from hard-to-reach areas such as stairs or corners of the pool. Economic life is expected to be around 15 years.

T. The Company has registered European and US patents for an interactive pool cleaner that enables end users to control the cleaning program and the robot's navigation, and to mark areas which the cleaner should visit or avoid visiting (since they have already been cleaned). Economic life is expected to be around 14 years.

U. The Company has patents and patent applications in Europe, Australia and the US for technologies concerning cordless robots, enabling communication with the robot as well as charging it. Economic life is expected to be around 18 years.

V. The Company has several patents and patent applications for water technologies that include measurement of spectral signatures of the pool water and optical systems, including the monitoring of environmental data.

W. The Company has several patent applications concening internal and external wireless communication.

X. The Company has several patent applications concerning the upgrade of robot capabilities using add-ons.

3.7.2 **Trademarks**

The Company owns registered trademarks for its brand names:

Dolphin, Eco Clear, Platinum Hybrid, My Dolphin, Clever Clean (in Australia, the USA, Canada, China, Japan, Korea, Argentina, Brazil, Israel, various countries in Europe, and others).

Additionally, the logo of the Company's name "Maytronics" is registered as a trademark in several countries.

Trademark registration applications were also submitted in respect of the logo of the Company's flagship product, Dolphin.

Additionally, new trademarks are registered or in the process of being registered, such as three trademarks for variations of Opteq, which denote that the cleaner contains optical means, a logo for Poolside Connect for the inductive feeding component or charger in the pool, the Company's logo, the emblem or O-Mark for various products or activities of the Company, Always Connected for the interactive end user category, subjects concerning the online transfer and saving of data regarding the Company's products, including cloud-based technologies, and Wave, for a variety of public pool cleaners.

Furthermore, trademarks are in the process of registration for the Liberty cordless (battery-operated) robot, and for the Click-Up feature that calls the robot to the water line for collection.

Additionally, to support the activity of the Australian subsidiary in the chemicals and salts for swimming pools segment, trademarks such as Maytronics Eco Swim and their logos were registered.

Furthermore, through the subsidiary MTUS-ECCXI US, the Group also owns several important trademarks in the eCommerce arena:

The Company also owns trademarks for an app that manages pool cleaners and their use by end users, called MyDolphin. The app provides internet and cloud connectivity.

MTFR has several trademarks registered in its name, including Espio, Aqualarm and Premium.

The Niya and Skimmy trademarks are in the process of registration.

3.7.3 **Protection and claims**

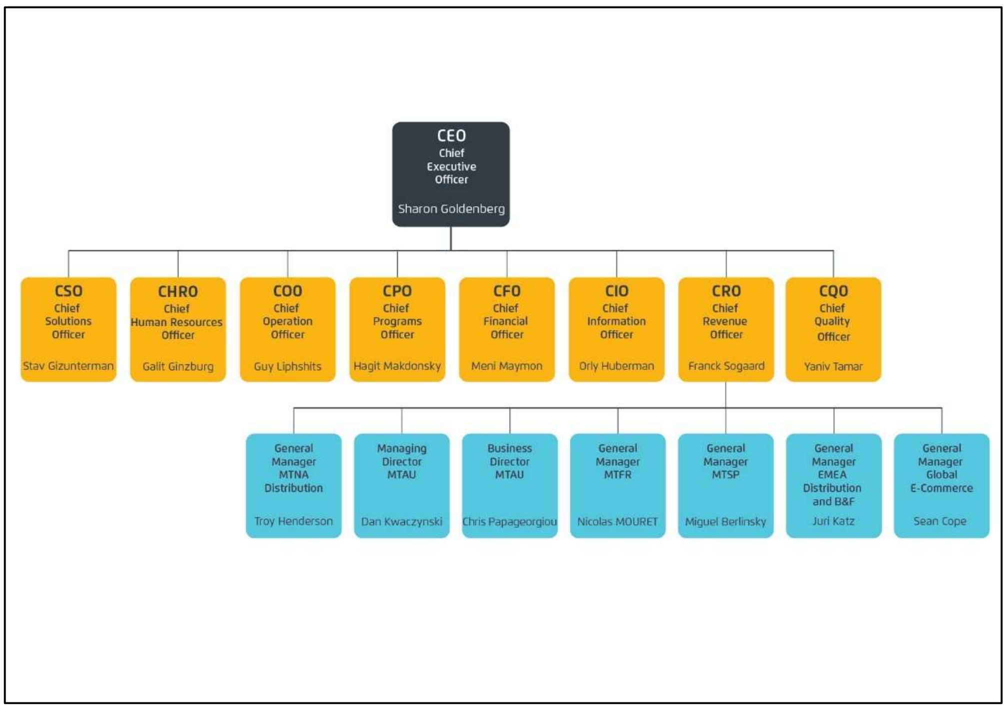
The Company's intellectual property, as described in this chapter (mostly its patents), is key to the differentiation of its products and to its competitive capabilities. From time to time, the Company is required to initiate proceedings to protect its IP, while proceedings are occasionally instituted against the Company by rivals, involving allegations of infringement of patents of competing products.

The Company monitors the renewal and expiration dates of its intellectual property.

3.8 Human capital

3.7.1 **Organizational structure diagram**

The organizational structure diagram below is in effect as of the date of this report.



Company HQ management includes the Company CEO, to whom management members – Vice Presidents – report.

Mr. Franck Sogaard serves as CRO (Chief Revenue Officer), and his direct reports are the Territory Managers, the eCommerce Manager, and the Professional Department Managers – Marketing, Customer Service, and Strategy and Business Development.

In 2023, Ms. Beatrix Flacke concluded her tenure as General Manager of BF, and Mr. Juri Katz is temporarily filling this position.

For changes occurring in the reporting period in the Company's organizational structure and in management positions, see section 3.8.10 below.

3.8.2 Workforce

As of December 31, 2023, the Company employed 895 permanent employees (including 862 regular (salaried) employees, one agency worker and 32 Kibbutz members, whose employment is regulated under a labor agreement between the Company and the Kibbutz, which is described below). Another 96 temporary employees who are agency workers are employed in jobs, mainly on the production lines and in operations, and 16 are employed as subcontractors.

The subsidiary MTUS has 110 employees, in addition to 43 employees in ECCXI US; the subsidiary MTAU has 111 employees; the subsidiary MTFR has 113 employees; the subsidiary BF has 19 employees; and the subsidiary MTSP has 13 employees.

Presented below is information on the permanent employee headcount, in accordance with the Company's organizational structure as of December 31, 2023:

Operating segment	Regular (salaried) employees							Kibbutz employees (Maytronics Israel) *
	Maytronics Israel	MTUS - Distribution	MTUS - ECCXI US	MTAU	MTSP	BF	MTFR	
Management (including HR and IT)	68	14	1	4	2	2	8	7
Procurement, financials and accounting	38	6	10	14	-	2	7	4
Production and operations	494	10	-	23	-	3	39	7
Quality assurance	24	-	-	-	-	-	2	1
Development (including water technologies)	130	-	-	5	-	-	9	5
Marketing, sales and technical support	108	80	32	65	11	12	48	8
Total	862	110	43	111	13	19	113	32*

* Presented as the number of full-time positions.

As stated above, Kibbutz members are employed under a labor agreement between the Company and the Kibbutz, dated January 1, 2004, which was renewed at the beginning of 2022 for an additional five-year period (hereinafter: the "**Renewed Agreement**").

Under the Renewed Agreement, the Kibbutz provides employees on a scale of up to 39 positions (186 monthly work hours per position), at a varying hourly rate based on three categories:

For the services of production and operations employees – NIS 62/hour.

For the services of office employeees – NIS 159/hour.

For manager's services – NIS 215/hour.

The above rates are linked to the salary of the Company's employees who are not Kibbutz members. If the Kibbutz employees are effectively employed for additional hours beyond the scope of 39 positions, the Company pays the Kibbutz an additional consideration, according to the same fixed rate per hour worked, up to a maximum of 10% of the payment in respect of 39 positions. The Company is also entitled to increase, from time to time, the number of Kibbutz employees who are employed by it at the same rate, in accordance with its requirements and the Kibbutz's ability to provide additional suitable manpower.

The Kibbutz also provides, under the Renewed Agreement, additional Kibbutz employees according to the Company's needs, as temporary employees, on a scale of up to 15% of the temporary employees who are employed in the Company at any time, at the same fixed rate for production and operations employees. In respect of this undertaking to provide manpower, the Company pays a fixed payment to the Kibbutz of NIS 150,000 per year, in accordance with the provisions of the management services and knowledge transfer agreement, which was updated in 2021 (see section 3.15.2 below).

The Kibbutz provides manpower services to the Company as an independent contractor, and employer-employee relations do not apply between the Company and the Kibbutz employees (and the Kibbutz has undertaken to indemnify the Company, immediately upon its first demand, for any loss, damage, liability or expense, including legal expenses, which the Company may incur in respect of claims regarding the existence of an employment relationship of this kind). Furthermore, the Kibbutz has undertaken to be exclusively liable for its employees, and to purchase, at its expense, employer's liability insurance that covers all Kibbutz workers.

3.8.3 **Substantial changes in the workforce**

As of December 31, 2023, there is a decline of around 25% in the number of employees in the Company in Israel, including agency workers and subcontractors, compared to December 31, 2022. Most of the decline in is manufacturing and operations staff in alignment with the scope of production, which was cut back in 2023 following the utilization of high levels of finished goods inventory.

3.8.4 **Dependency on employees**

According to the Company's estimate, in all its operating segments, it is not materially dependent on any particular employee.

3.8.5 **Training and practice**

The Company conducts periodic training programs and practice sessions for employees and managers, which are intended to provide them with appropriate training and to deepen and maintain the professional and managerial knowledge in the Company. The Company conducts comprehensive general training combined with training on specific issues, according to the employee's job description and the training program.

3.8.6 **Employee compensation plan**

From time to time the Company intoduces a collective pay raise, which is approved by the Company's Board of Directors and implemented by management, based on the achievements of each individual employee. These raises are intended to retain the Company's people and to share its success with them. Additionally, all employees, including officers (who are compensated in accordance with the Company's remuneration policy), are paid an annual success bonus, which amounts to a total of around 10% of the Company's consolidated net profit. Part of this bonus is awarded equally, according to the Company's procedures, to all Company employees to include them in the Company's success, while the rest of the bonus is awarded based on the specific employee's performance (and in the case of officers, in accordance with the Company's remuneration policy).

3.8.7 **Employment contracts**

All Company's employees are employed under personal employment contracts (except for the Kibbutz members, as specified above), and are hired after their suitability has been evaluated. The Company's employees are subject to some of the provisions of the collective agreement in the metalworks, electric and electronics industry, by virtue of an extension order issued by the Minister of Welfare. Labor relations in the Company are in order. There were no labor disputes or strikes in the Company in recent years.

Production employees mostly work for an hourly wage and are eligible for additional overtime pay, as well as additional shift pay, according to law. By contrast, the employment terms of most HQ employees and managers are set in contracts providing for compensation for special effort.

Employees of the subsidiary MTUS and ECCXI US are employed under personal employment contracts in accordance with the law in the United States. Salaries and salary increases (for employees who are not officers) are presented to the management of the subsidiary for approval before they are implemented.

Employees of the subsidiary MTFR are employed under personal contracts, subject to applicable law in the location where they are employed. The relevant collective agreements apply to the employees in France, in accordance with the applicable laws.

The employees of the subsidiaries MTAU, MTSP and BF are employed under personal contracts.

3.8.8 **Promotion tracks and career development**

The Company develops personal promotion tracks according to its needs. For the Company's employees in Israel, these also include funding of education in return for a commitment to work for the Company for a specified minimum period.

3.8.9 **Changes in the organizational structure**

At the beginning of February 2023, Mr. Franck Sogaard assumed the position of Company CRO. Mr. Sogaard also serves as President of Americas, EMEA & APAC.

In May 2023, Ms. Beatrix Flacke concluded her tenure as General Manager of BF. Mr. Juri Katz, who manages distribution in the EMEA territory, is temporarily managing BF in her stead.

3.8.10 **Officers and senior management employees**

A. Composition of senior management as of December 31, 2023:

	Regular (salaried) employees					
	MTAU	**MTFR**	**MTUS**	**BF**	**MTSP**	**Israel**
CEO	2*	1	1	1	1	1
Officers and senior management employees	6	4	7			8**
Total	8	5	8	1	1	9

* Two co-CEOs serve in MTAU.

** One of the Vice Presidents in Israel is Mr. Franck Sogaard, who also serves as President of Americas, EMEA & APAC.

3.8.11 **Compensation of the Company's managers**

A. The employment contracts of the Company's managers include the right to receive annual bonuses, which are conditional on the Company's performance and the accomplishment of personal targets, in accordance with the Company's remuneration policy. For additional information regarding the salary and benefits of the five highest earners in the Company, see section 6 in Part D of the periodic report for this year.

On December 27, 2017, the Company adopted an ESOP, consultants, managers, directors and service providers, comprising up to 4,000,000 warrants. In accordance with the resolutions of the Remuneration Committee of February 6, 2022 and the Board of Directors of February 13, 2022, the framework of the original plan was broadened such that the Company would be able to allot up to an additional 3,190,000 (non-marketable) warrants, exercisable for up to an additional 3,190,000 ordinary shares, For additional details regarding the adoption of the ESOP, see the Immediate Report of December 28, 2017 (reference number 2017-01-118420), which is incorporated by reference. Further to the above, and further to the implementation of the plan, the Company's Board of Directors resolved (following approval by the Remuneration Committee) to publish outlines, to announce private offerings and to allot warrants on various dates which, in the past two years, include the following:

Date of resolution/ announcement	Description	Number of warrants allotted	Comments/additional information
February 24, 2022	Publication of a third outline for the grant of warrants		Outline for the allotment of up to 3,308,385 (non-marketable) warrants, exercisable for up to 3,308,385 ordinary shares
February 13, 2022	Allotment of warrants under a third outline to the Company CEO	240,000	
May 17, 2022	Allotment of warrants under the third outline	815,000	Allotment of warrants to managers and employees. In practice, 775,000 warrants were allotted due to employee attrition
November 28, 2022	Allotment of warrants under the third outline	85,000	Private offering to a manager under the third outline
March 21, 2023	Allotment of warrants under the third outline	110,000	Private offering to a manager under the third outline

Date of resolution/ announcement	Description	Number of warrants allotted	Comments/additional information
May 17, 2023	Allotment of warrants under the third outline to the Company CEO	110,000	
May 17, 2023	Allotment of warrants under the third outline	930,000	Allotment of warrants to managers and employees and to the manager of a subsidiary (who is not subject to an employer-employee relationship). In practice, 910,000 warrants were allotted due to employee attrition

* Employees and managers who are subject to an employer-employee relationship, and to whom the allotment is subject to the provisions of section 102 of the Income Tax Ordinance (New Version), 5721-1961 (hereinafter: the "**Ordinance**") and the provisions of the outline published on February 26, 2018 (including the amendment thereto dated March 15, 2018) (hereinafter: the "**Outline**").

For additional information regarding the above outlines (first to third) for the allotment of warrants, see the outline of February 26, 2018 (reference no. 2018-01-019252), the amendment to the outline dated March 15, 2018 (reference no. 2018-01-025342), a second outline for the allotment of warrants of June 7, 2021 (reference no. 2021-01-036139), and a third outline of February 24, 2022 (reference no. 2022-01-022987), which are incorporated by reference. For the allotment of warrants to the CEO, see the General Meeting convening report of February 14, 2022 and of May 17, 2023 (reference no. 2022-01-015924 and 2023-01-052842, respectively), which are incorporated by reference.

B. The officers and senior management employees are employed under personal contracts. The employment cost of the five highest earners in the Group in 2023 amounted to NIS 13.1 million (as described in Regulation 21 in Part D).

The Company has a remuneration policy for the Company's officers (hereinafter: the "**Remuneration Policy**"), which defines the guidelines and framework for executive compensation in the Company, including fixed salary, annual bonuses, equity compensation and additional payments in view of their position as officers. The Remuneration Policy was initially adopted in 2013 and was revised in 2017, 2019, 2020 and 2021, and as required by law, was renewed every three years. On April 4, 2022, the General Meeting approved additional amendments to the Remuneration Policy concerning the revision of the weight accorded to the various components in the remuneration of the Company's officers. In addition, on January 18, 2023, the General Meeting approved the renewal of the Remuneration Policy for a further period of three years, including its amendment and revision with respect to certain matters (including adjustment to the compensation of executives working abroad; revision of the general guidelines for the method of defining the various components; updating fixed and variable compensation caps on executive compensation; addition of the option of paying a one-time signing bonus and retention bonus to officers;

revision of the guidelines for payment of a one-time bonus; revision of various provisions concerning equity compensation and the retirement bonus; and addition of exemption for directors and officers). For additional information on the Reumeration Policy and its various revisions, see the convening report of the General Meeting dated December 25, 2019 (reference no. 2019-01-123487), an amendment thereto of February 26, 2020 (reference no. 2020-01-016561), the convening report of the General Meeting dated July 28, 2021 (reference no. 2021-01-124086), the convening report of the General Meeting dated February 14, 2022 (reference no. 2022-01-015924), and the convening report of the General Meeting dated November 29, 2022 (reference no. 2022-01-143755) and an amendment thereto of January 10, 2023 (reference no. 2023-01-005682), which are incorporated by reference.

On January 18, 2023, further to the approval of the Remuneration Committee and the Board of Directors, the General Meeting approved a salary increase for the incoming CEO, Mr. Sharon Goldenberg. For further information on the resolution, see the General Meeting convening report dated November 29, 2022 (reference no. 2022-01-143755) and the Immediate Report regarding the results of the General Meeting dated January 19, 2023 (reference no. 2023-01-009315), which are incorporated by reference.

3.9 Raw materials and suppliers

3.9.1 Main raw materials

The raw materials and components which are used by the Company in the robot and alarm production process primarily include motors (drive motors and suction motors), various electronic units (printed circuits, components, power suppliers, electrical connectors, and other components), plastic components (parts of the electronic cleaner body, bearings and filters), and dedicated power cables.

The raw materials for the Company's products are purchased by the Company based on customer orders received, and according to the Company's estimates and the sales forecast, taking into consideration expected consumption and the supply time per item. The customary delivery time for all raw materials is 20-90 days. For items with longer supply times, the suppliers maintain a safety stock, at the Company's request. Certain electronic components with exceptionally long delivery times are purchased by the Company for longer periods.

The Company buys the raw materials which are required to produce its products mostly from suppliers in Israel and in Southeast Asia. In the reporting period, as a result of the attacks by the Houthis, the costs of shipping raw materials from the East rose, and the transportation time of raw materials to Israel for production was extended (see also section 1.6.5 above).

3.9.2 Suppliers and engagements with suppliers

Presented below are data regarding the rates of raw materials purchased from primary suppliers, out of the Company's total purchases during the reporting year:

Supplier	Type of raw material	Percentage of purchases out of total raw material purchases for the entire Company
Supplier A	Motors	4.21%
Supplier B	Cables	3.66%
Supplier C	Plastics	7.00%
Supplier D	Power supplies	3.90%

According to Company policy, for each type of raw material for the private and public pool robotic cleaner segments and for alarms, the Company will have one primary supplier and one secondary supplier, which will serve as a substitute should the primary supplier discontinue the supply of raw materials for any reason. If the Company becomes dependent on the supply of a certain raw material by a specific supplier, it takes steps to authorize another supplier, in accordance with ISO 9001 (2008), to ensure raw material reserves.

For information on the Company's efforts to contend with the supply chain crisis, see section 1.6.5 above.

The Company strives to work with a minimum of two suppliers for most of its primary raw materials in the private and public pool robot, alarm and covers segments, and it is continuing its efforts to authorize additional suppliers to mitigate the risk inherent in reliance on a single supplier and to reduce costs. According to Company management's estimate, there are a few cases in which it is dependent, in the short term, on a single supplier, and it is working to minimize the risk. In a few cases, the alternative supplier is more expensive, and should it become necessary to refer orders to them, the product will become more expensive, and its margins will by necessity be reduced. However, no individual component is able to significantly affect profitability.

The Company and MTFR have agreements with their suppliers for periods ranging from one to two years. The Company enters into short-term agreements with its suppliers, which include details regarding the quantity and prices of ordered products, delivery times and maintenance of a buffer inventory.

In respect of the power supplies and motors, the Company enters into agreements for periods of around one year. Commercial relationships with all major raw material suppliers have been maintained for several years.

3.10 Working capital

3.10.1 **Policy for the maintenance of raw material inventory**

The process of equipping the Company with raw materials for the private and public robotic pool cleaner and alarm segments begins in the months of June-September each year, and the level of raw materials reaches a peak in the months of October-February. Most of the Company's customers submit an annual purchase forecast for the private and public pool robot and alarm segments in October to December, and the Company orders raw materials as needed, according to the order forecasts.

In light of the elevated demand for the Company's products and supply chain challenges in the years of the pandemic, the Company worked (mainly in 2021) to make earlier and larger purchases of components and raw materials to ensure a response to market demand and maintain manufacturing continuity. As a result, in view of the decline in demand among distributors and the return of end-user demand levels in the swimming pool market to pre-COVID patterns, in 2022 raw material inventory rose considerably. In the reporting year, the Company worked (and continues to work) to reduce raw material inventory volumes, mainly through tighter management of the sales forecast and supplier orders.

The Company continuously maintains an inventory of complex units to enable it to meet any unforeseen market demand. This inventory is required during the first months of the year to meet unplanned orders and is particularly important in the summer months, when the required order response time may be only a few days.

The Company's policy is to maintain sufficient raw materials to enable products to be manufactured for a three-month period, while maintaining a buffer inventory for unexpected orders. The Company has committed to its customers to production based on orders placed with the Company according to forecasts received and approved by the Company, in alignment with a monthly plan defined by the Company for its various customers.

3.10.2 **Policy for maintaining finished goods inventory**

Formerly, production in the Company was largely based on orders only. Consequently, as a rule the Company did not maintain finished goods inventory beyond the minimum period required to adjust the production schedule to accommodate expected delivery dates.

Following the growth in the business of the subsidiaries and the considerable growth in activity volumes overall, the Company's working capital increased as a result of finished goods inventory held by the subsidiaries and in the Company's warehouses in Israel. As mentioned, following the decline in demand for the Company's products among distributors and dealers at the end of the pandemic (beginning in the second half of 2022), finished goods inventory in the Company and the subsidiaries rose significantly. In the reporting year, the Company worked to reduce finished goods inventory by applying a variety of measures (for the post-COVID effect, see section 1.6.4 above).

Additionally, each year a significant part of production for North America is moved up to the fourth quarter to enable shipping by sea and arrival at warehouses in the US before and during the first quarter of the following year. Growth in MTAU's sales and the long distance to this continent resulted in a significant increase in finished goods inventory in this territory as well.

On December 31, 2023, the Company held finished goods inventories at the production sites in Israel, in the subsidiaries MTUS (including ECCXI US), MTAU, MTFR and BF, amounting to a total of NIS 609 million, which are mainly intended for sale in the first half of 2024. The Company has an average of 327 inventory days (including the aforesaid finished goods inventory, in-process inventory and raw materials) compared to 279 days last year, the outcome of the post-COVID effect. It is noted that raw material inventory days were approximately 88 (compared to 86 days last year).

3.10.3 **Product return policy**

The Company has no return policy for customers, and in practice, the Company has not accepted returns from customers in the past, except for a few cases involving returns from large chains in the United States in accordance with the generally accepted practice in that country. See below for details regarding the Company's policy for the provision of warranties for its products.

3.10.4 **Product warranty policy**

The Company offers a warranty for the quality of its products and for any defects therein as required by law and is also liable to its customers for compliance with the product definitions and specifications which were specifically agreed upon with them, as provided in its agreements with the customers. The Company offers its customers a warranty of one to four years, or for a certain number of operating hours - for the drive units and non-disposable parts of private pool cleaners. The Company's distributors offer end customers who buy electronic cleaners, generally those intended for private pools, a warranty of two to four years, for all of the robot's parts. End customers who buy products for public pools receive a warranty from the distributor and from the Company for two years or for a certain number of operating hours. Supplementary products sold by the Company are backed by a warranty which is provided by their manufacturers.

3.10.5 **Credit policy**

A. **Customer credit**

The Company offers its customers credit for a period of 1 to 120 days, according to the type of customer and transaction. In 2023, the average credit period (consolidated), was 68 days. Average credit granted to the Company's customers (consolidated) in 2023 was NIS 357,898 thousand.

In general, it is the Company's practice not to sell in significant amounts to customers in Israel and elsewhere without credit insurance or other collateral, such as a letter of credit from a bank or payment in advance.

The Group's member companies generally have a credit insurance policy which corresponds to the Company's policy. Additionally, all Group's member companies perform various evaluations regarding the financial soundness of customers, and closely monitor collection. In practice, most of the Company's customers operate within the limits of the credit insurance.

Customer credit for private pool products is the same as customer credit for public pool products.

B. **Supplier credit**

The Company's supplier credit is 1 to 105 days. In 2023, average supplier credit was 76 days. The average amount of the Company's trade payables in 2023 was NIS 216,100 thousand.

3.11 Investments

In the reporting year, the Company granted short-term loans to MTUS at an amount of USD 15 million.

3.12 Financing

3.12.1 For information on the funding of the acquisition of ECCXI US, see section 3.15.8 below.

3.12.2 **Short-term credit facilities**

On December 31, 2023, the Company's short-term lines of credit amounted to NIS 856 million, of which NIS 574 million were used during the year.

Short-term lines of credit are denominated in NIS (partly fixed-rate loans and partly prime-rate loans) and foreign currencies (partly fixed-rate and partly SOFR-based loans).

Average interest as of the end of H1 2023 was 6.8%, and 6.7% as of the end of H2 2023.

3.12.3 Long term loans

In 2018, the Company furnished a comfort letter to MTFR in respect of a loan of EUR 2 million, taken by MTFR for a period of five years at 1.50% fixed interest, in which the Company undertook to continue to hold more than half of the share capital and voting rights in MTFR for as long as the loan has not been repaid, and to use its best efforts to ensure that MTFR satisfies all of its undertakings under the loan agreement. As of the end of 2023, the outstanding balance of the loan is approximately EUR 70 thousand.

In April 2023, the Company furnished a comfort letter to MTFR in respect of a loan of EUR 3 million, taken by MTFR for a period of four years at 4.15% fixed interest, in which the Company undertook to continue to hold more than half of the share capital and voting rights in MTFR for as long as the loan has not been repaid, and to use its best efforts to ensure that MTFR satisfies all of its undertakings under the loan agreement. As of the end of 2023, the outstanding balance of the loan is approximately EUR 2.9 million.

As of the end of December 2023, the outstanding balance of the Company's loans was NIS 257 million. These include USD-linked and NIS-linked fixed and variable rate loans, bearing average interest of 5%.

3.12.4 Additional sources of finance

The current loans and lines of credit, as described above, are expected to be sufficient for the Company to finance its continuing operations as of December 31, 2023. Additionly, the Company is reviewing the possibility of increasing and diversifying its sources of finance.

3.13 Taxation

For information on taxation of the Company and the subsidiaries, see Note 20 to the financial statements.

3.14 Restrictions and oversight of the Company's activity

3.14.1 Business license

The Company has a business license for the production and headquarters site on Kibbutz Yizre'el.

3.14.2 Standardization

A. The Company's quality management system was certified by the Standards Institution of Israel as complying with the requirements of Israeli Standards and the international standard ISO 9001: 2015. Certification is in effect until January 11, 2025.

B. The Company is ISO 14001 certified. ISO 14001 is an international environmental management standard which addresses energy savings, the use of hazardous materials, waste prevention and environmentally friendly manufacturing. The certification is valid until July 5, 2024.

C. The Company's products which are marketed to Europe were tested in licensed laboratories to verify their compliance with the relevant requirements of the EC directives. Based on the assessment reports, certificates of compliance with EC were issued for the products. The approvals will remain in effect for as long as the product, or the law by virtue of which it was approved, has not been changed. The product standards are renewed on an ongoing basis, insofar as updates to them are required.

D. Products marketed to the United States, which are required to bear a safety standard, were tested in the Intertek and TÜV laboratories, and the Company is certified to mark the products with the ETL Listed Mark and TÜV Mark. They were also tested for compliance with FCC standards and were certified as FCC-compliant. The products were assessed for compliance with the relevant UL standards. These standards apply to the robot and to the electronic cleaner's power supply, which can also be transported by a service trolley. The assessment of the products' compliance with these standards ensures that the products were tested and meet the required conditions in respect of production processes and product safety. The approvals will remain in effect for as long as the product, or the law by virtue of which it was approved, has not been changed. The product standards are renewed on an ongoing basis, insofar as updates to them are required.

E. The American standard UL1081 applies to robotic swimming pool cleaners (and not only to the power supply). The Company chose to comply with this standard (although it is under no obligation to do so), in order to differentiate its products from its competitors in this important territory. Some of the Company's products already meet the standard, and other products of the Company are currently in the certification stage.

F. The Company's products which are marketed in Australia were tested to ensure their compliance with the relevant standards in Australia and New Zealand and were found compliant with requirements. The approvals will remain in effect for as long as the product, or the law by virtue of which it was approved, has not been changed. The product standards are renewed on an ongoing basis, insofar as updates to them are required.

G. As specified in section 2.3.1 above, the alarm products of MTFR comply with the French standards for alarms, and additionally, the automatic covers comply with the required safety standards in France.

H. The Company's products which are marketed to Japan were tested in accordance with the relevant requirements of the certifying body PSE and were found compliant with requirements. The approvals will remain in effect for as long as the product, or the law by virtue of which it was approved, has not been changed. The product standards are renewed on an ongoing basis, insofar as updates to them are required.

3.15 Material agreements

3.15.1 Service agreement between the Company and the Kibbutz

The Company is engaged with the Kibbutz in an agreement for the provision of services by the Kibbutz to the Company, dated June 12, 2004 (which was classified by the Audit

Committee, on September 29, 2016, as a negligible transaction). The agreement was renewed in January 2022 for a further five-year term.

Under the agreement, the Kibbutz undertook to provide a variety of services to the Company, as specified below, in consideration for NIS 39,166 per month. A linkage mechanism to the CPI was put in place. As of December 2023, the Company pays approximately NIS 48.5 thousand per month for these services.

The services include maintenance and cleaning services, security services, telecommunication, emergency services, first aid, sanitation and the provision of food in the Kibbutz cafeteria for the workforce which is made available to the Company by the Kibbutz.

3.15.2 **Agreement for management services and use of information between the Company and the Kibbutz**

On June 12, 2004, the Company and the Kibbutz signed an agreement for the provision of management services by the Kibbutz to the Company and the use of knowledge, which, in recent years, was brought for reapproval in accordance with the provisions of Amendment 16 to the Companies Law. As part of said approvals, amendments and updates were made (inter alia, by significantly reducing the consideration paid to the Kibbutz in respect of this agreement). The agreement was renewed on January 4, 2021, and is in effect, following this recent approval, until April 30, 2014[11] (hereinafter: the "**Management Agreement**"). For additional details, see the Immediate Report dated November 29, 2020 (reference number 2020-01-128424), which is incorporated by reference.

In accordance with the Management Agreement (following its recent renewal), the Kibbutz provides to the Company management and consulting services in fields as per the Company's requirements, which are within the areas of expertise, knowledge and experience of its directors serving in office, in consideration for the payment of management fees, as follows:

(1) <u>In respect of five (5) directors on behalf of the Kibbutz, for their work on the Board of Directors</u> - Compensation at an amount of NIS 637,595 per year, with one-quarter of this fixed amount being paid at the beginning of each quarter.

(2) <u>In respect of the work of the Chairman of the Board and the special activities of another director outside of Board meetings</u> - Annual compensation at an amount of NIS 900,000 and NIS 300,000 per year, respectively. Of these payments, a payment of NIS 618,000 is conditional upon the accomplishment of targets which will be determined for the Company CEO each year, in the component pertaining to the Company's objectives only (hereinafter: the "**Conditional Compensation**"). Unconditional management fees, as stated above, will be paid at the beginning of each quarter. The Conditional Compensation will be paid on the date when the annual bonus is paid to the CEO.

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[11] The validity of the Management Agreement, which was to have expired on December 31, 2023, was extended by a resolution of the Board of Directors of December 25, 2023, in accordance with the provisions of the Extension of Periods and Postponement of Deadlines Law (Temporary Order – Swords of Iron) (Administrative Procedures, Tenure Periods and Corporations), 2023, until March 31, 2024.

(3) In respect of the availability of production facilities - Annual compensation at an amount of NIS 465,000 in respect of an option to lease additional space from the Kibbutz (and the Kibbutz's waiver of building rights to which it is entitled in other areas, in favor of construction for the Company, without payment of additional consideration by the Company, beyond the compensation component referenced herein), and in respect of the Kibbutz's undertaking to provide manpower services, as stated in the labor agreement between the Company and the Kibbutz (see section 3.8.2 above). This payment is due at the beginning of each quarter.

The services provided by the Kibbutz to the Company under the agreement also include the provision of knowledge accumulated by the Kibbutz and the corporations under its ownership in connection with the Company's activity in the pool electronic cleaner segment, to the Company, by directors on their behalf. For additional details, see the transaction report which was published by the Company on July 30, 2018 (reference number 2018-01-071004) and the transaction report published by the Company on November 29, 2020 (reference number: 2020-01-128424), which are incorporated by reference.

After the reporting date, the Audit Committee and the Board of Directors of the Company approved the renewal of the Management Agreement with certain changes, as described in the convening report of the General Meeting, published proximate to the publication of this report.

3.15.3 **Agreement with the Kibbutz for the rental of buildings and space used by the Company**

As of December 2023, in accordance with a lease agreement of June 12, 2004 (hereinafter: the "**Lease Agreement**"), the Company leases a total area of 44,439 square meters from the Kibbutz, of which 10,215 square meters are office buildings and production buildings, 15,934 square meters are warehouses and sheds, and 18,290 square meters are yard space. The Lease Agreement was broadened several times to enable the Company, over the years, to expand its production buildings, warehouses and offices to accommodate its accelerated growth. The agreement effective for 24 years, until December 31, 2027 (after said term was approved in accordance with the provisions of section 16 of the Companies Law). The Company is entitled to terminate the agreement with 12 months' advance notice.

In accordance with the Lease Agreement and as of December 2023, the Company pays to the Kibbutz monthly rent as follows: NIS 29.65/square meter of built-up area, NIS 4.71/square meter of yard space, and NIS 17.19/square meter of warehouses and sheds, in addition to a fixed amount of NIS 34 thousand per month. The rent is linked to the CPI as of the end of 2023 and is paid on the first day of each quarter for the subsequent quarter (for details regarding additional payment for the reservation of rental space, see section 3.15.2 above).

Total monthly rent paid to the Kibbutz under the Lease Agreement of 2004 is NIS 740 thousand.

In practice, the entire area which is leased to the Company is used by the Company. The built-up area serves for offices and production halls. The warehouse space is used for storage, and the yard space is used for parking and as general operational space.

3.15.4 **Agreement with the Kibbutz for the construction and leasing of the Company's campus**

On September 2, 2021, further to the approval of the Audit Committee and the Board of Directors of the Company on June 28, 2021 and June 30, 2021, respectively, the General Meeting approved the Company's engagement in an agreement with the Kibbutz for the leasing of additional space from the Kibbutz, adjacent to the Company's manufacturing facility and its existing offices, on which the Company, together with the Kibbutz, will build a new office campus in phases, which will consist of three buildings that will serve the Technologies Division, Marketing Division and Corporate HQ (hereinafter: the "**New Lease Agreement**" and the "**Campus**"). According to the New Lease Agreement, after the Campus has been built in its entirety, the Company will lease a built-up area of 13,000 square meters from the Kibbutz (the HQ building, the Technologies building and the Regions building), plus 10,000 square meters of parking lots and service areas.

The lease term will begin when the first project component that is completed is made available for the Company's use and will expire 10 years after the date when the last building is made available to the Company. The Company will have the option to extend the lease term for two additional terms of five years each.

As agreed, the costs of building the Campus will be split between the Company and the Kibbutz: the Kibbutz will bear all costs related to the construction of the building shell (estimated at a total of NIS 75 million) according to the budget approved for each building in advance, including architectural planning and not including the costs of interior design and construction; whereas the Company will bear the planning and construction costs of the building interiors in line with its needs (estimated at NIS 80 million).

In consideration for leasing the campus, the Company will pay the Kibbutz yearly rent calculated according to an annual return of 6% on the planning and construction costs of the building envelopes, as approved by the Company, linked to the CPI. Total yearly rent payments for the Campus after construction is complete (including a relative portion of the return on the infrastructure costs of the Kibbutz Industrial Park where the Campus will be located, which constitutes most of the Industrial Park) are expected to amount to NIS 4,500,000. Should the Company elect to exercise either of the options to extend the lease term, the consideration payable to the Kibbutz as rent for the property will be increased by 5% upon each exercise of the option to extend. The Company will also pay the Kibbutz monthly maintenance and management fees for the maintenance of the Campus infrastructure, at NIS 2 per square meter of building space.

It was further agreed that the Company may, during the term of the New Lease Agreement (including its renewals, if any), lease additional areas among the areas reserved for it under the Management Agreement (as described in section 3.15.2 above), provided, however, that their total area shall not exceed the total area of the spaces it leases under the New Lease Agreement.

For further information on the New Lease Agreement, see the Immediate Report of July 28, 2021 (reference no. 2021-01-124050), which is incorporated by reference.

Construction of the first Campus building, the Technologies Division building, was completed and delivered to the Company in June 2023, and occupancy was taken in September 2023. Accordingly, the lease term under the Campus agreement began on June

1, 2023. Monthly rent for the Technologies building, including service fees (NIS 2/square meter built-up space) is NIS 148 thousand.

In August 2022, the construction of the second Campus building, Corporate HQ, began. Completion is expected in August 2024.

After the construction of the two buildings (Technologies and HQ) has been completed, the Company, in the framework of the New Lease Agreement, will lease some 9,000 square meters of built-up space and 10,000 square meters of parking lots and service areas from the Kibbutz.

The actual planning of the third building – the Regions building – has not yet begun, and its construction is optional for both parties.

3.15.5 **Lease agreement for the production site in Dalton Industrial Park**

As described in section 3.5.1 above, the Company has been operating at the Dalton Site since late 2016, in accordance with a lease agreement dated December 6, 2015 with Tefen Entrepreneurship Ltd. The lease term is 15 years, and the lease may be terminated at the end of 2025, subject to advance notice.

On June 14, 2020, the Company also contracted in an agreement with the same company for the leasing of two additional buildings in Dalton Industrial Park, of a total area of 6,000 square meters, adjacent to the buildings where the current plant is located. The lease term of the two additional buildings is 15 years, and the lease may be terminated after 10 years, subject to advance notice.

In August 2022, the Company leased another two buildings at the Dalton Site, adjacent to the Site's production buildings, of an area of 5,529 square meters, which serve as raw material warehouses and an operational staging area.

Total rent (including service fees) paid by the Company in respect of this agreement in the reporting year amounted to NIS 5,865 thousand.

In 2022, the Company received a notice that the assets of the lessor company, Tefen Entrepreneurship Ltd., had been sold to Allied Union Joint Venture, which stepped into Tefen Entrepreneurship's shoes as lessor.

3.15.6 **Agreement for the leasing of office space in Yokne'am**

In March 2022, the Company contracted with Mivne Real Estate Ltd. in a lease agreement for 1,925 square meters of office space in an existing building in Yokne'am for a five-year term, with two options to extend for further five-year terms. In September 2022, after adapting the building for its requirements, the Company took up occupancy. The offices serve teams in the Development, Marketing and IT Departments. The annual rent is NIS 1,520 thousand, including payment for parking, management fees and insurance.

3.15.7 **Agreement with the founders of MTAU**

As part of the establishment of MTAU in 2011, the Company entered into a detailed shareholders agreement with MTAU's executives (hereinafter: the "**MTAU Executives**") in September 2011. In accordance with this agreement, the Company holds 60% of MTAU's share capital and has the right to appoint three of MTAU's five directors, while the remaining 40% and the right to appoint the other directors of the company belong to the MTAU Executives. The agreement also sets forth various arrangements which pertain to the distribution of the Company's products in Australia and New Zealand by MTAU; arrangements pertaining to MTAU's right to buy back the shares of the MTAU Executives (reverse vesting) in certain circumstances; certain protection rights granted to the MTAU Executives; a conditional dividend policy; and other shareholder arrangements. As of the reporting date, the MTAU Executives hold 38.8% of MTAU's shares, and the Company holds 61.2%.

3.15.8 **ECCXI US**

On July 7, 2022, MTUS entered into an agreement with **ECCXI Holdco, Inc.** (hereinafter: the "**Seller**") and with Michael Hoffman and Christopher Hoffman, controlling shareholders of the Seller (hereinafter: the "**Sole Shareholders**"), for the acquisition of 70% of ECCXI US's share capital and rights. On July 28, 2022, the acquisition of ECCXI US was completed (hereinafter: the "**Closing Date**").

In consideration of 70% of the rights in ECCXI US, MTUS was to pay approximately USD 16.16 million plus adjustments to working capital as of the Closing Date (hereinafter: the "**Consideration**") in two equal installments, as follows: approximately USD 11.6 million were paid on July 28, 2022 (at the closing), and another NIS 7.2 million were paid one year after the Closing Date.

In addition to the Consideration, MTUS undertook to also pay a contingent consideration of approximately USD 3.7 million if ECCXI US's results in 2022-2023 (average EBITDA for those years) exceeded the agreed scope. Payment of the additional consideration is also conditional on Mr. Chris Hoffman's continued employment as General Manager of Backyard and the continued holding of ECCXI US's shares by the Sole Shareholders through to the date of calculation of the Consideration. The Seller will be entitled to payment of the contingent consideration in any case of a change of control of MTUS or Backyard. The contingent consideration will be paid (if the conditions for its payment are satisfied) two years after the Closing Date.

The agreement contains several other arrangements, including: (1) An undertaking by Mr. Chris Hoffman to serve as ECCXI US's General Manager and to continue to manage Backyard Group, as he has done for the past 9 years, for at least two years commencing on the Closing Date (other than in a case of termination without cause or resignation with cause), and the Sole Shareholders' right to serve as directors of ECCXI US; (2) Besides the above two directors on the Seller's behalf, MTUS shall be entitled to appoint 4 directors of Backyard on its behalf (out of a total of 6 directors), two observers (without voting rights) and the chairman of Backyard's board of directors (this board composition will also apply, mutatis mutandis, in each of ECCXI US's subsidiaries); (3) Arrangements regarding transactions by the parties in ECCXI US's shares, including an undertaking by the Seller and Sole Shareholders not to sell their stake in Backyard for a 12-month period after the Closing Date. If the Seller sells its stake in Backyard after said date, MTUS is granted a right of first refusal to acquire the stake being sold. Additionally, the Seller has preemptive rights with respect to any offer of a stake in ECCXI US and tag-along rights with respect to any sale of a stake by MTUS, and MTUS has drag-along rights in the event of a sale; (4) The Seller and Sole Shareholders have undertaken not to compete (in various ways) with the Seller's business (as it was in the 12 months preceding the Closing Date) for a period of five years from the Closing Date, and in the Sole Shareholders' case, for a further three-year period after the expiration of an employment contract or consulting agreement between them and Backyard (if it exceeds the five-year period from the Closing Date), and in this period, not to solicit the Company's employees, consultants, customers and suppliers to contract with them or to terminate their engagement with Backyard.

For further information on the transaction, see the Immediate Reports of July 7, 2022 and July 31, 2022 (reference no. 2022-01-072273 and 2022-01-096949, respectively), which are incorporated by reference.

3.16 Legal proceedings

See Note 21A to the financial statements.

3.17 Objectives and business strategy

The Company's vision is:

"Leading the way to make your pool water exceptional for pure enjoyment."

In 2018 the Company began to implement its strategic plan, Maytronics 2025, with the goal of maintaining its growth and leadership in light of the prevailing and anticipated changes and dominant trends in the markets where it operates.

Among other things, the Maytronics 2025 strategy focused on positioning Dolphin as the brand of choice in every distribution channel and in the eyes of the end user, and the robot of choice among robotic cleaners. Its implementation led to the creation of operational and technological infrastructure and to solidification of the organizational structure organically and through acquisitions, shoring up the Company's leadership in eCommerce while it continued to deepen its business in traditional distribution channels in its major markets, all of which contributed to maintaining the Company's leadership and its growth over the years.

In 2023, the Company undertook a long-term strategic planning process. In the past two years, and more strongly in the past year, the Company has contended with growing competition by traditional rivals that have been active in the market for many years, as well as by relatively new players in the business, with emphasis on Chinese manufacturers. As described in section 2.1.1 above, in the electronic cleaner segment there are two distinct types of value propositions, which create two separate market segments: robotic cleaners with a broader value proposition in terms of features, lifespan, service and warranty, which are sold at medium to high prices, and basic vacuums with a limited value proposition in terms of capabilities, service and warranty, which are sold at low entry prices. As described, traditionally and as of the reporting year, the Company was active in the robotic cleaner category, but as noted in section 2.1.4, after the reporting date the Company, in collaboration with Seauto, launched a new product line under the Niya brand (owned by the Company), which broadens and strengthens the Company's value proposition in the robot category and adds a value proposition in the basic vacuum category, where the Company has not been active to date. Furthermore, the Company has observed changes in the structure of traditional distribution channels in the various markets.

Considering these trends and to maintain its growth and leadership, the Company's strategy is to solidify its status as the **robotic cleaner of choice for swimming pools**, to position itself as a **group of known, respected brands** that operates as an **omnichannel player, with emphasis on direct access to the end-user**, and to deliver an **ecosystem of products and value-added services for the pool environment**.

To implement its revised strategy, the Company is working, among other things, according to four key guidelines:

(1) **Solidify and strengthen the leadership of the Company's robotic products**. Here, the Company will maintain and deepen its investment in the development of new technologies in the automatic robotic cleaner segment, using a variety of advanced technologies. In parallel, the Company is working to implement a series of initiatives designed to increase the pace and quality of introducing new products to the market, to cultivate innovation based on inhouse and external sources, to bolster its patent portfolio and to expand its product offering.

(2) **Focus on the Company's cost structure**. In this sphere, diverse initiatives are being furthered along two trajectories. One is the ongoing continuation of optimization processes in procurement, operational efficiency enhancement in production, among other things by integrating automation and addressing the Company's fixed cost structure. The second trajectory focuses on a review of product content, which includes planning processes and work processes, with the goal of building a more efficient cost structure.

(3) **Make adjustments to marketing and sales channels and build influence on the end user**. In this context, the Company is working to expand its D2C business through ECCXI US, which was acquired in 2022 and until now, has focused on the North American market. The Company is also continuing its accelerated development of digital infrastructure and business models that will enable this influence to be reinforced.

(4) **Expand and diversify the product and service portolio.** Here, the Company is persevering in its R&D efforts in the pool management, monitoring, control and water treatment arena, with the goal of developing another growth engine. The Company is leveraging digital infrastructure, cloud, data analysis and AI capabilities that were developed in the past few years to integrate added value into the value proposition to the consumer and to assimilate new business models that will allow for an ongoing, deeper connection with the user user. The Company places significant emphasis on the inclusion of M&A as part of its growth strategy and to diversify revenue and profit streams.

In parallel with these four key guidelines, the Company is perserving in a variety of actions intended to ensure its ability to realize the strategy and to achieve growth and improve the profitability of its business through the development of unique technologies that will be integrated into the Company's products in the coming decade, investment in digital transformation processes, operational preparations including streamlining of processes, infrastructure, introduction of automatic production arrays and building advanced data-driven and AI capabilities, building advanced infrastructure for appropriate IT systems across all divisions in the Company, and development and adaptation of the human resource.

After weighting the parameters described above, the Company has set the following goals:

- Savings thanks to focus on the Company's cost structure, in the range of 10%-15% of COGS within 3 years.
- Revenue target of NIS 3.2 billion to NIS 3.6 billion in 2028, including estimated revenue of NIS 400 million as a result of future M&A, with an operating margin of 14%-18%.

3.18 Expected developments in the coming year

In the coming year, the Company foresees revenue growth of 4%-8%, maintaining the gross margin or its improvement by up to 100 BPS, and an improvement in operating profit that surpasses revenue growth.

The major underlying assumptions for the outlook are:

(1) The macroeconomic environment – despite the decline in inflation and expectations for interest rate cuts, the assumption is that the effects of a drop in interest, as expected during 2024, will not lead to a significant change in consumer spending patterns or to a change in inventory buildup patterns in the distribution channel.

(2) A standard pool season in terms of length and the timing of its opening in the Northern Hemisphere.

(3) An average exchange rate environment for the year that is consistent with average exchange rates in the first quarter of 2024.

(4) The decline in inventory levels in the distribution channel overall, and in the inventory level in the channel moving into 2024, supports a return to volume growth in private pool robotic cleaner sales.

(5) Continuing growth in sales of public pool robotic cleaners.

(6) Incremental sales of other products, including Skimmy, the robots under the new Niya brand, and expansion of the product range sold by ECCXI US in the “related products” segment, which includes a broad variety of products for swimming pools.

The Company believes that the broad variety of robots, including the new models launched in recent years, their technological advantages over rival products, the further strengthening of the various marketing channels, including online platforms, and M&A efforts such as the acqusition of ECCXI US and the establishment of ECCXI Europe, will support continuing growth in demand for the Company’s products in the coming years. Operating results in recent years clearly support the Company’s estimate.

In the safety products and related products segment, the Company expects several installations of the Poseidon system in Asia and further solidification in this market.

The information presented in this section constitutes **forward-looking information**, and as such is uncertain, and may not materialize, in whole or in part, or may materialize differently than expected.

This information is based on the data in sections 2.1.2, 2.2.2 and 2.3.1 above, on the Company’s experience in its traditional markets, its intentions and plans, and on preliminary market surveys which were performed by the Company in respect of opportunities for penetrating new markets, the successful penetration of the Company’s new products, and customer willingness to try the new products.

This information may not materialize, or may materialize only in part, if unforeseen widespread defects occur in the Company’s products, if any of the Company’s competitors launches a competing product in the pool cleaner segment with similar or superior capabilities and/or at a preferable price, if rivals from the Far East gain increasing strength (discussed by the Company in said sections), and/or due to the ability to realize opportunities and methods for penetrating said markets, due to unexpected difficulties and delays in developing the water monitoring and treatment system (including the resulting general consequences), due to the effects of the pandemic, and due to other risk factors specified in section 3.22 below.

3.19 Financial information on geographical regions

For details regarding the geographical regions in which the Company operates, see Note 29C to the financial statements.

3.20 Information on material changes in the Company's business

For post-COVID repercussions after the reporting date and effects on the Company, see section 1.6.4 above.

3.21 Events outside the Company's ordinary course of business

For post-COVID repercussions after the reporting date and effects on the Company, see section 1.6.4 above.

3.22 Discussion of risk factors

The Company's business is characterized by the following risk factors:

Macro risks

3.22.1 **Global economic downturn/economic crisis**

A deep economic/banking crisis in the markets of Europe and/or the US could adversely affect the swimming pool segment and defer purchases by end customers as witnessed in 2008-2009, and as rising interest rates and various macroeconomic effects adversely affected the swimming pool industry in late 2022 and 2023.

3.22.2 **Foreign exchange and interest rate risk**

Around 98.5% of the Company's revenues are generated by foreign sales, and a significant part of its raw materials is acquired abroad or in USD-linked NIS. Accordingly, it is the Company's practice to execute foreign currency hedges. However, fluctuations in the USD, AUD and EUR exchange rates, as described in section 1.6 above, could have a substantial impact on the Company's financial results and financial position.

Furthermore, a significant increase in interest rates could have a negative impact on the Company's finance expenses and erode its profit margins.

3.22.3 **Global supply chain crisis**

As described in section 1.6.5 above, throughout 2021 and 2022 the Company contended with the global supply chain crisis. In 2023 the supply chain stabilized somewhat, but since October 2023, following the Swords of Iron War, the Houthi organization in Yemen began to attack commercial vessels with the aim of harming Israeli and global trade. Following these events, numerous shipping companies opted for the longer route around Africa to Europe and Israel and cut back on the number of vessels arriving in Israel. This directly led to increased shipping costs and prolongation of the time required to ship goods. This exposure could result in delays in manufacturing the Company's products, failure to fulfill the demand for its products, or failure to supply the products according to required schedules.

3.22.4 **Israeli government policy**

As described in section 1.6.11 above, in the reporting year the Israeli government began to endorse significant changes in Israel's judicial system. However, the furtherance of the process was stalled by the Swords of Iron War and rulings by the High Court of Justice, which rejected legislation intended to advance the move.

Company management is constantly monitoring developments in this respect and assessing the implications, if any, on its business. As of the reporting date, the Company is unable to assess the impact of the Israeli government's policy and the planned judicial reform, if executed, on its business.

3.22.5 **Swords of Iron War**

As described in section 1.6.6 above, the Swords of Iron War, which broke out on October 7, 2023, exposed the Company in various spheres, including the reduction of manufacturing operations at the Dalton site, which is located near the Lebanese border; dozens of employees who were called up for reserves and other employees whose spouses were called up, impacting their availability; and attacks by the Houthis on commercial vessels, which harmed the supply chain.

Company management is continuously monitoring developments in this regard and reviewing the impacts, if any, on its operations. As of the reporting date, the Company is unable to assess the overall impact of the war on on its business.

Industry-specific risks

3.22.6 **Climate change**

The Company's sales depend directly on the weather, mostly at the beginning of summer, in all its operating territories. A late summer would adversely affect sales in that year, and even result in overcautious inventory build-up in the following year. In recent years, climate change has led to increasingly volatile weather worldwide.

3.22.7 **Inaccurately interpreting the market map**

The Company is exposed to the general risk of incorrectly reading its market map and lack of innovation, which could result in loss of market share and even loss of the entire market due to the entry of new technologies which are completely different from the technology assimilated by the Company. The Company places emphasis on innovation, remains close to the market through its subsidiaries in the US, France, Germany, Spain and Australia and by maintaining direct contact with its customers, which was significantly enhanced thanks to the acquisition of ECCXI US, and is alert to developments occurring in the market (including, inter alia, the Chinese market). The Company is currently in the advanced stages of implementing its 2025 strategy and is exploring additional business opportunities (as described in section 3.17 above), which are intended to maintain the Company's leadership and its closeness to the market.

Unique risks applying to the Company and its subsidiaries

3.22.8 **New market entrant and/or M&A in the segment and/or growing strength of existing manufacturers**

As described in sections 2.1.6 and 2.1.1 above, in recent years there have been changes in the Company's competitive map (mainly rivals from China), with competitors mostly operating in the basic vacuum sub-segment and working to significantly penetrate the robot sub-segment. This development and the possibilities of its intensification create the risk that a rival will succeed in penetrating the market and capturing market share, directly or through M&A with manufacturers currently operating in the market. Since the Company is the manufacturer that currently holds the largest market share in the robotic cleaner sub-segment, another manufacturer, if one enters the market or one already present should become stronger, can be expected to try to encroach on the Company's market share and/or cause price decreases and profit erosion, while introducing rival products to the Company's products and competing over the Company's customers, managers, employees and distributors. However, an entry of this kind, if and when it occurs, is expected to take place gradually over several years. The Company is already working to maintain its position in the market and even strengthen it, inter alia, in preparation for the entry of additional competitors as described, while enhancing and maintaining its competitive advantages, IP assets and human capital. See also section 2.1.1E above.

3.22.9 **Loss of market share and/or a material customer and/or distributor**

Loss of customers, or the weakening of one of the Company's distributors or loss of one of the Company's distributors may result in a decrease in the Company's sales and market share, and adversely affect its profitability. The Company frequently monitors the sales activities and performance of its distributors, with the goal of detecting any adverse effects of this kind in good time and preparing accordingly.

According to the Company's estimate, the loss of a large distributor could have a significant impact on its business. However, the Company estimates that the damage will be limited to the short term, and that the effect can be mitigated over the longer term. The Company takes action to mitigate this risk, inter alia, by managing a go-to-market strategy which includes strengthening relationships with distributors and allowing them to maximize opportunities for the sale of the Company's products. Furthermore, through ECCXI US and ECCXI Europe, the Company is building a direct connection with end-users – pool owners – to mitigate this risk.

3.22.10 **Price cuts**

Price cuts in the market, for various reasons, including a change in the distribution model of one or more of the Company's rivals, could adversely affect the Company's profitability. The Company takes action to mitigate this risk, inter alia, by developing new technologies, continuous innovation, marketing strategy and cutting costs.

3.22.11 **Serial defect in the Company's products**

A material defect in the quality of the Company's products or products manufactured by other parties and marketed by the Group is a risk factor for the Company's business and its brand, a risk that would cause reputational damage and harm the competitiveness of the Company's products and could also give rise to legal claims by consumers. The

Company takes action to mitigate this risk, including, inter alia, through a dedicated Quality Department headed by the VP Quality, by crafting a multiyear quality plan and by implementing systems and processes.

3.22.12 **Legal claims brought by competitors**

The Company has a limited number of significant rivals that compete over the same market segment. On more than a single occasion, this competition has been transferred by competitors to the legal arena, in claims alleging infringement of intellectual property rights, etc. The acceptance of a material claim against the Company could cause it financial harm and damage its image.

3.22.13 **Compliance with standards and regulations**

The Company's products are subject to regulations and standards in the various territories where the products are sold. The standards and regulations are dynamic. Changes in standards and regulations, mainly in key territories, may require the Company to adapt its products to receive approval for their sale. The Company invests efforts to adapt its products to conform to the various standards and regulations in all territories to mitigate this risk.

3.22.14 **Drowning incident in a pool where a private pool alarm or public pool drowning detection system is installed**

The safety products described above, which are intended to prevent drowning, by nature create the risk of a legal claim in a case of failure. However, the Company works in accordance with stringent standards in the relevant countries and in accordance with the policies set forth in the standards to prevent occurrences of this kind. Additionally, the Company has appropriate insurance coverage.

3.22.15 **Information security, cybersecurity risks and protection of privacy**

In the past few years there has been a considerable increase, in Israel and worldwide, in risks associated with cyber attacks or the injection of hostile codes into systems. This applies to both the number of incidents and to their severity. In general, such activities are liable to disrupt the everyday activity and operation of the Group's facilities, business information may be corrupted or leaked, and the reputation of the companies in the Group could be harmed.

In virtually all aspects of its business, the Company relies on the use of sensitive information systems and communication infrastructure that support, among other things, numerous operational, manufacturing, financial and head office processes (hereinafter: the "**Systems**"). The Systems are of critical importance to running the Company's business and play a vital role in its ability to successful carry out its operations. Any hack, disruption, damage or crash of the Systems is liable to adversely affect the Company's business. The Systems are backed up, but in the event of harm to part of or all Systems, this could cause substantial damage to the Company's information and the infrastructure that supports the Company's operations. To detect and assess these material threats, the Company carries out cyber risk surveys each year using the NIST assessment methodology, as well as other activities such as penetration tests, training and testing for awareness of cyber threats, internal audits, etc. The results of these surveys and tests are discussed, inter alia, once per quarter by the information security steering committee, which is headed by the information security forum that includes the CEO and several VPs, and once a year by the Board of Directors, with the assistance of experts in the field. Based on these surveys and discussions, the Company has a series of procedures, work processes and controls in place, which include a work plan for the mitigation of cyber risks detected in the surveys. These procedures enable the Company to not only mitigate or eliminate the residual risk to which the Company is exposed in this sphere, but also include a series of scenarios and responses for coping with cyber attacks, for updating relevant parties in its business environment, and for disclosing and reporting to investors on the occurrence of a significant cyber incident.

Given the incessant evolution of cyber threats, which change frequently, and their sophistication, the Company constantly works to improve and raise the level of cyber defense and information security on several levels, including, as mentioned, through the implementation of corporate governance practices, by having systems in place to protect its databases and information systems, including security architecture, use of physical and logical security measures, monitoring tools, reporting and management of cyber incidents, activity to increase awareness among all employees, and taking steps to implement the regulations that apply to it concerning the collection of customer data. The party responsible for cybersecurity in the Company is the CIO, Ms. Orly Huberman, who possesses the appropriate qualifications and experience and reports to the CEO. Ms. Huberman is furnished with all managerial and financial resources necessary to implement the Company's Cyber and Information Security Policy.

Based on the opinion of its professional consultants, the Company estimates that its actions to manage cyber and information security risks are effective in limiting and mitigating these risks in the Company.

However, notwithstanding the activities and measures described above, it is impossible to completely prevent cyber attacks or hostile code injections, and thus, to prevent the damage that could be caused as a result.

3.22.16 **Failure to achieve the Company's targets and loss of potential sales due to supply chain issues**

These include production capacity, a global shortage of raw materials, shipping and transportation challenges, inventory management, non-alignment of inventory policy with the scope of business and changes in the market and in the distribution model, and others. In this respect, the Company is working on several levels, such as the certification of new, alternative suppliers for key raw materials and investing in the development of automatic lines to manufacture various robot assemblies, which will allow for a faster, better quality production process, etc.

3.22.17 **Failure to adhere to development plans**

Failure to adhere to development plans in terms of time-to-market and technological development goals in the development of new robots and water technologies could lead to loss of market share and damage to the brand. The Company is working to mitigate this risk in several ways, including work according to a 5-year product development plan, which is based, among other things, on a study of market needs and rival developments, and maintaining tight management control over the progress of the Company's development projects.

3.22.18 **Loss of business continuity and loss of recovery capability following a disaster**

Loss of business continuity, inter alia, due to IT or other system failure, loss of essential key people, a natural disaster, or security incident. The Company applies various measures to mitigate this risk, including formulation of a BCP (business continuity plan) to address IT disruptions in the production environment, and others.

Presented below is a table summarizing the risk factors enumerated above, describing the nature of the risks and the estimate of Company Management regarding the impact of those risks on the Company:

Description of risk / risk factor	**Extent of risk factor's impact on the Company's business**		
	Low	**Medium**	**High**
Macro risks			
Global economic downturn/economic crisis		+	
Foreign exchange risk			+
Global supply chain crisis			+
Israeli government policy	+		
Swords of Iron War		+	
Industry-specific risks			
Climate change		+	
Incorrect interpretation of the market map			+
Unique risks applying to the Company			
New market entrant and/or M&A in the industry and/or growing strength of existing manufacturers			+
Loss of market share and/or a substanial customer and/or substanial distributor		+	
Price cuts		+	
Serial defect in the Company's products			+
Claims brought by competitors	+		
Compliance of the Company's products with standards and regulations		+	
Drowning incident in a pool where a private pool alarm or public pool drowning detection system is installed	+		

Description of risk / risk factor	Extent of risk factor's impact on the Company's business		
	Low	Medium	High
Information security, cybersecurity risks and protection of privacy		+	
Failure to achieve the Company's targets and loss of potential sales due to supply chain issues		+	
Failure to adhere to development plans	+		
Loss of business continuity and loss of recovery capability following a disaster		+	

Unofficial Translation from Hebrew

Maytronics Ltd.

Board of Directors' Report on the State of the Corporation's Affairs

For the Period Ended December 31, 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 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 and drowning detection systems, as well as the marketing of other related pool products. 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), as well as by external distributors; 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.

In late 2023, the Company established a wholly owned subsidiary, ECCXI Europe Ltd., with the goal of operating an online sales channel on the continent. In March-April 2024, after the reporting date, ECCXI Europe is expected to commence commercial operations.

The Company's business has a strong seasonality bias, and 66% of its sales in 2023, 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 at full capacity year-round, and the second half of the year is largely characterized by 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 full year of 2023) that its share of the global market in the robotic cleaner segment (as defined in section 1.2 in Part A – Description of the Corporation's Business) is around 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 status of 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. As a result of these factors, since late 2022 the Company's finished goods inventory increased, and accordingly, the Company cut back on the pace of production (compared to the corresponding period last year).

The Company's sales in the fourth quarter grew by 27.1% (17% in local currency) compared to the same quarter last year, mainly as a result of stronger early-buy sales in the US and Europe, growth in demand in Australia, since this is the strong quarter there, as well as growth in ECCXI's revenues.

Sales in the private pool robotic cleaner segment grew by 33% in the quarter compared to the same quarter last year, and in the public pool robotic cleaner segment, sales declined by 1.3%. Sales of safety products and related pool products grew in the quarter by 17.5%.

The Company's total sales (in NIS) in the US grew in the fourth quarter by 36%, in Europe – by 18%, in Oceania – by 22%, and in the rest of the world, sales declined by 16%.

The strong growth in the fourth quarter led the Company to the first-time achievement of operating breakeven, compared to an operating loss of NIS 23,969 thousand last year.

In the full year of 2023, sales grew by 5.7%. Private pool robotic cleaner sales declined by 2.2%, public pool robotic cleaner sales grew by 14.7%, and sales of pool safety products and other pool related products grew by 63.8%.

The inventory correction process and short pool season increased the need among manufacturers and businesses throughout the year to reduce their inventory levels and increase cash flow, and as a result, competition in the professional channel grew stronger. Furthermore, in the online channel, an increase in the Chinese competition is evident. These challenges are, in part, temporary, but the Company estimates that some of them will continue to be typical of the competition. In 2023, the Company undertook a long-term strategic planning process that updates the "Maytronics 2025" strategy and is intended to address these challenges. As part of the strategy, in the interests of maintaining growth and leadership, the Company will work, among other things, to deepen its investment in the development of new technologies in automatic robotic cleaners and to increase the pace and quality of releasing new products to the market, to enlarge the scope of D2C activities through the ECCXI platform (ECCXI was acquired in 2022), and to maintain the accelerated development of digital infrastructure and business models that will enable a greater impact on the end user. Furthermore, the Company is developing a multiyear plan that addresses the cost structure with the goal of achieving a cost structure that is more efficient. As part of its strategic activity, after the reporting date the Company contracted with Shenzhen Seauto Technologies Ltd. ("Seauto") and launched a new battery-powered product line for the mid to low price range. The new robot line will be sold under the Niya brand (owned by the Company) and delivers a unique value proposition to the end user that differs from the Dolphin brand. For further information, see section 2.11 below.

In summary of 2023, the Company estimates revenue growth within a range of 4% to 8% in 2024, with revenues ranging between NIS 3.2 billion and NIS 3.6 billion in 2028. For further information, see section 3.17 in the Description of the Corporation's Business for 2023.

The Company's estimation regarding growth potential in 2024 and the revenue range in 2028 is **forward-looking information,** as defined in the Securities Law, 1968 (hereinafter: the "**Securities Law**"), which is based, inter alia, on the behavior of the Company's customers in the past year, 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 estimation is uncertain and is beyond the Company's control. The forecast may not materialize or may materialize in part should new players and/or products enter the market and/or should current players grow significantly stronger, due to changing preferences of the Company's customers, due to unforeseen difficulties associated with its 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 2023.

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 audited financial statements for the fourth quarter and full year of 2022 and 2023:

	Q4 2023 (USD thousands)	**Q4 2022 (USD thousands)**	**FY 2023 (USD thousands)**	**FY 2022 (USD thousands)**
Revenues	15,122	13,665	153,788	145,102
Gross profit	4,402	4,358	43,886	41,344
Operating profit (loss)	(19)	268	7,735	6,352

ECCXI delivered 6% revenue growth 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 December 31, 2023, the Company's **order backlog** amounted to NIS 237.4 million compared to NIS 450.3 million on December 31, 2022, reflecting a decline of 47% in the Company's backlog in relation to last year. The decline in backlog reflects the continuation of a trend that began in the second half of 2022, marked by a return to channel inventory build-up patterns based on more frequent, smaller orders, reflecting a just-in-time approach as part of tight working capital management among distributors and dealers in order to cope with high interest rates. Furthermore, the drop in backlog is the result of the late timing of orders from several of the Company's key distributors, which, as of December 31, 2023, had not yet placed orders for the opening of the season and did so at the beginning of 2024. In addition, the effects of the ECCXI acquisition on order backlog should be taken into account, since D2C online sales are not reflected in the backlog.

2.4 **Foreign currency effects in the reporting period compared to the corresponding period last year:**

In the fourth quarter (three months): The Euro, which accounted for 14% of the Company's sales, strengthened against the Shekel by an average of 14.3%, the US Dollar, which accounted for 60% of sales, strengthened against the Shekel by an average of 7.9%, and the Australian Dollar, which accounted for 25% of the Company's sales, strengthened against the Shekel by an average of 8.6%.

The effect of changes in foreign exchange rates on sales, gross profit and operating profit compared to the corresponding period last year amounted to an increase of NIS 24.7 million in quarterly sales, and an increase of NIS 12.7 million in gross profit and of NIS 6.9 million in operating profit.

In the full-year period, compared to the full year of 2022: The Euro, which accounted for 28% of the Company's sales, strengthened against the Shekel by an average of 10.8%, the US Dollar, which accounted for 60% of sales, strengthened against the Shekel by an average of 8.5%, and the Australian Dollar, which accounted for 10% of sales, strengthened against the Shekel by an average of 6.2%.

The effect of changes in foreign exchange rates on sales, gross profit and operating profit compared to last year amounted to an increase of NIS 152 million in sales, and an increase of NIS 83 million in gross profit and of NIS 63 million in operating profit.

2.5 **Dividend distribution:**

2.5.1 On March 21, 2023, the Board of Directors of the Company declared a final cash dividend for 2022 at a total amount of NIS 44 million, reflecting NIS 0.4015 per share, which was paid on June 25, 2023.

2.5.2 On August 15, 2023, the Board of Directors of the Company declared an interim cash dividend for 2023 at a total amount of NIS 50 million, reflecting NIS 0.4558 per share, which was paid on September 28, 2023.

2.5.3 After the reporting period, on March 26, 2024, the Board of Directors of the Company declared a final cash dividend for 2023 at a total amount of NIS 25 million, reflecting NIS 0.2278 per share. The dividend will be paid on June 27, 2024.

2.6 **Approval of the allotment of warrants to employees and managers:** In the reporting year, the Company allotted warrants to officers and employees of the Company, as described in section 3.8.11 in Part A, Description of the Corporation's Business.

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 serving in office in the Company (excluding external directors, whose office will continue according to law). For further information on the convening of 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 **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.

2.9 **Israeli government policy:** For information, see section 1.6.11 in Part A, Description of the Corporation's Business.

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

2.11 **Presentation of a new product line:**

After the reporting date, the Company initiated a collaboration with the Chinese company Shenzhen Seauto Technologies Co. Ltd. (hereinafter: "**Seauto**") for the launch of a new product line that includes battery-powered 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 in the online channel. The new brand enlarges and strengthens the Company's value proposition in the robot segment and adds a value proposition in the basic vacuum cleaner segment, where the Company has not been active until now.

Seauto is engaged in the development and production of electronic pool cleaners and is the manufacturer of the new product line. The product line 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. 2024-01-020217), which is incorporated by reference.

The information referring to the launch of the new products and the sale thereof 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 Company's knowledge of its products and its ability to continue to successfully bring them to market and sell them, on its knowledge of the market in which it operates, on the information available to the Company as of the date of this report with respect to the products and the market, and on its understanding of the technological significance of these products. The estimates presented above may not materialize or may materialize in a different manner, should it transpire that the Company's assessments regarding the ability of the new products to deliver as expected and to sell in substantial quantities, and its estimates regarding its customers' preferences and rival activity are incorrect or inaccurate, or due to other risk factors applying to the Company, as specified in section 3.22 in the Description of the Corporation's Business for 2023.

2.12 **Change of Chairman of the Board of Directors:** After the reporting date, on March 26, 2024, the incumbent Chairman of the Board, Mr. Yonatan Bassi, announced that after serving in this position for 14 years, he wished to step down. Further to the foregoing, the Board of Directors recommended to the next General Meeting to appoint Mr. Ron Cohen, who currently serves as a director of the Company on behalf of the Kibbutz, as Mr. Bassi's successor. At the request of the Company, which greatly appreciates his contribution to the Company and its interests, Mr. Bassi will continue at this time to serve as an active director of the Company, and his compensation will be paid by the Kibbutz.

3. Financial position

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

Item	**December 31**		**Explanations by the Company – balances as of December 31, 2023 compared to December 31, 2022**
	2023	**2022**	
	NIS thousands		
Cash and cash equivalents and short-term investments	148,764	138,508	No material change.
Trade receivables	234,143	187,504	An increase of NIS 46.6 million in the trade receivables balance, largely the result of growth in sales volumes in the fourth quarter as well as the sales mix. Customer days in 2023 amounted to 68, compared to 77 days last year.
Trade payables	82,530	64,295	An increase of NIS 18.2 million, largely the result of an increase in advance payments to suppliers, foreign currency transactions and a grant receivable in respect of the Swords of Iron War.
Inventory	971,824	1,016,098	A decline of NIS 44.3 million in the balance of inventory. It is noted that inventory correction efforts led to decline of 33% in the volume of finished goods inventory (robotic cleaners) compared to December 31, 2022. The decline in the inventory balance was offset by the effects of rising exchange rates of the US Dollar, the Australian Dollar and the Euro and their impact on inventory value in the subsidiaries, as well as an increase of NIS 26 million in pool equipment inventory in ECCXI, which is attributed to business growth in these accompanying pool products as well as purchases of such products on which early-buy discounts were granted. The Company succeeded in lowering inventory by NIS 67 million, thus contributing to improved operating cash flow, compared to December 31, 2022. It is noted that robotic cleaner raw material inventory and work in process inventory are NIS 28 million lower compared to 2022, despite the opposite effect of the strengthening of the US Dollar on inventory value. The Company continues to work on adjusting inventory levels to the volume of demand and is taking steps to lower the volume of its inventory.
Total current assets	**1,437,261**	**1,406,405**	

Item	December 31		Explanations by the Company – balances as of December 31, 2023 compared to December 31, 2022
	2023	2022	
	NIS thousands		
Long-term debit balances	1,364	1,751	No material change.
Fixed assets	229,564	200,312	The increase in fixed assets is largely due to investments in office buildings and operational areas, and investments in machinery and equipment.
Right-of-use assets	152,361	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	317,171	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 full year of 2023, the Company recorded investments of NIS 7.9 million (compared to NIS 14.2 million last year) in the pool water monitoring and control segment. Furthermore, in 2023 the Company recognized an impairment loss of NIS 10.6 million arising from a component of the intangible asset in the water monitoring and control segment in light of development focus in the segment.
Deferred taxes	41,584	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.
Total non-current assets	**742,044**	**685,209**	
Total assets	**2,179,305**	**2,091,614**	

Item	**December 31**		**Explanations by the Company – balances as of December 31, 2023 compared to December 31, 2022**
	2023	**2022**	
	NIS thousands		
Bank credit	644,702	477,422	Short-term credit increased by NIS 167.3 million, taken primarily to finance the Group's working capital requirements and hedge its balance sheet exposure, and also long-term credit that was repaid and short-term credit taken in lieu.
Trade payables	182,705	240,094	Trade payables declined by NIS 57.4 million, largely due to a decline in inventory purchases compared to the corresponding period last year.
Other accounts payable	122,364	161,438	Other accounts payable declined by NIS 39.1 million, largely due to the revaluation of foreign currency transactions following an increase in the exchange rates of the Euro and Australian Dollar at the end of the corresponding quarter, as well as a decline in employees and institutions balances as well as accrued expenses.
Other current liabilities	58,138	76,439	The decline is largely due to the settlement of deferred liabilities related to the acquisition of consolidated companies.
Non-current liabilities	334,514	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 December 31, 2023 to current liabilities.
Total liabilities	**1,342,423**	**1,352,360**	
Equity attributable to shareholders of the Company	**758,224**	**674,077**	The Company's equity before non-controlling interests as of December 31, 2023 constitutes 35% of total assets on the statement of financial position, compared to 32.2% last year. The increase in equity is mainly the result of an increase in the Company's earnings, offset by a dividend paid.
Non-controlling interests	**78,658**	**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	**836,882**	**739,254**	
Total liabilities and equity	**2,179,305**	**2,091,614**	

3.1 Liquidity ratios

	December 31, 2023	December 31, 2022
Working capital (NIS thousands)	429,352	451,012
Current ratio	1.43	1.47
Quick ratio	0.46	0.41

The Company's working capital declined slightly compared to December 31, 2022, due to an increase in short-term credit and a decline in long-term debt following repayment. The increase in the quick ratio is largely the result of the relative decline in inventory, as described in section 3 above.

4. Operating results in NIS thousands

Following are the condensed income statements for the years 2021-2023:

Item	2023	2022	2021
Sales revenue	1,889,565	1,786,896	1,409,395
Gross profit **Gross margin**	789,925 41.8%	718,309 40.2%	593,263 42.1%
Operating profit **Operating margin**	258,211 13.7%	292,661 16.4%	277,720 19.7%
Net profit **Net margin**	163,559 8.7%	227,749 12.7%	240,254 17.0%

Following is an analysis of revenue and gross profit by reportable segment

	For the year ended December 31		For the year ended December 31			
	2023		2022			
1. Segment revenues:	**NIS thousands**	**% of total revenues**	**NIS thousands**	**% of total revenues**	**% change**	**Explanations**
Residential pool cleaners	1,468,652	77.7%	1,500,958	84.0%	(2.2%)	A slight decline in segment revenues, mostly as a result of a significant change in inventory build-up patterns in the distribution channel in the reporting period, which began in the second half of 2022 and is reflected in the need among distributors and dealers to lower the excess inventory levels that accumulated in the first half of 2022; the inflationary environment and high interest rates, which have affected consumer spending; and extreme weather effects in North America and Europe, which led to a late-starting pool season in the Northern Hemisphere.
Public pool cleaners	110,781	5.9%	96,616	5.4%	14.7%	Revenue growth is largely attributed to ongoing demand in the segment, particularly in the North American market, and the Company's improved ability to supply the demand for these products.
Pool safety products and related pool products	310,132	16.4%	189,322	10.6%	63.8%	Sales growth is largely due to the first-time consolidation of ECCXI for the full year in the reporting period compared to five months last year, as well as growth in sales of water treatment products by the subsidiary in Australia.
Total revenues	**1,889,565**	**100.0%**	**1,786,896**	**100.0%**	**5.7%**	
2. Segment results:	**NIS thousands**	**Gross margin**	**NIS thousands**	**Gross margin**	**% change**	
Residential pool cleaners	625,240	42.6%	601,297	40.1%	4.0%	The increase in gross profit is mainly attributed to higher sales prices, positive currency effects and a certain decline in BOM costs and shipping rates.
Public pool cleaners	61,592	55.6%	51,846	53.7%	18.8%	The increase in gross profit and the gross margin is mainly due to higher sales prices, positive currency effects and a certain decline in BOM costs.
Pool safety products and related pool products	103,093	33.2%	65,166	34.4%	58.2%	Gross profit growth is due to revenue growth. The slight decline in the gross margin is the result of the different product mix.
Gross profit	**789,925**	**41.8%**	**718,309**	**40.2%**	**10.0%**	

	For the three months ended December 31		For the three months ended December 31			
	2023		2022			
1. **Segment revenues:**	**NIS thousands**	**% of total revenues**	**NIS thousands**	**% of total revenues**	**% change**	**Explanations**
Residential pool cleaners	231,418	76.2%	174,028	72.8%	33.0%	Growth is due to early-buy sales in North America and Europe, stronger demand in Australia and revenue growth in ECCXI.
Public pool cleaners	21,073	6.9%	21,356	8.9%	(1.3%)	No material change.
Pool safety products and related pool products	51,246	16.9%	43,630	18.3%	17.5%	Sales growth is due in increase in sales of related pool products by ECCXI, as well as an increase in sales of water treatment products in the subsidiary in Australia.
Total revenues	**303,737**	**100.0%**	**239,014**	**100.0%**	**27.1%**	
2. **Segment results:**	**NIS thousands**	**Gross margin**	**NIS thousands**	**Gross margin**	**% change**	
Residential pool cleaners	79,955	34.6%	65,685	37.7%	21.7%	The increase in gross profit is due to revenue growth. The decline in the gross margin is mainly attributed to higher operating expenses as a result of the decline in production volumes.
Public pool cleaners	12,254	58.2%	11,970	56.0%	2.4%	The increase in the gross margin is mainly due to positive currency effects and a certain decline in BOM costs.
Pool safety products and related pool products	`16,016	31.3%	13,485	30.9%	18.8%	Gross profit growth is due to revenue growth.
Gross profit	**108,225**	**35.6%**	**91,140**	**38.1%**	**18.7%**	

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

Item	For the year ended December 31, 2023	For the year ended December 31, 2022	% change	Main explanations
Research and development expenses	55,060	52,641	4.6%	The increase in development costs is mainly attributed to the new robot lines being developed by the Company. Development costs in the pool water monitoring, control and treatment segment in the reporting period amounted to NIS 13.6 million.
Selling and marketing expenses	332,562	238,088	39.7%	Most of the increase is due to the consolidation of ECCXI, which contributed NIS 93 million versus last year following sales growth and full consolidation over FY 2023, as well as an increase in marketing campaigns as part of marketing effort to drive sales growth, and higher exchange rates in the period, which contributed another NIS 15 million. By contrast, shipping rates declined.
General and administrative expenses	144,339	134,919	7.0%	An increase of NIS 9.4 million, mainly attributed to the consolidation of ECCXI, which contributed a further NIS 7.7 million versus last year, and the rise in exchange rates in the period, which contributed another NIS 4.8 million. These were offset by a decline in consulting and professional expenses.
Other income, net	(247)	-	-	Mainly includes NIS 10 million in grants receivable following the Swords of Iron War, countered by an impairment loss of NIS 10.6 million on an intangible asset arising from a component of the intangible asset in the water monitoring and control segment in light of development focus in the segment.
Operating profit	**258,211**	**292,661**	(11.8%)	Operating profit declined due to the increase in operating expenses, mainly variable selling expenses attributed to the ECCXI consolidation.
Finance expenses, net	66,339	28,955	129.1%	In the reporting period net finance expenses were recorded, mainly due to higher interest on the Group's bank credit, which amounted to NIS 49 million. In the corresponding period last year, interest expenses of NIS 16 million on credit were recorded. It is 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	(21)	(29)	(27.6%)	-
Income before taxes	**191,893**	**263,735**	(27.2%)	The decline is largely due to the decline in operating profit.
Taxes on income	28,334	35,986	(21.3%)	The lower tax expenses are due to the decline in pretax earnings in the period. The effective tax rate was 14.8% compared to 13.6% last year due to a different profit mix among the companies in the Group.
Net profit	**163,559**	**227,749**	(28.2%)	-

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

Item	**For the three months ended December 31, 2023**	**For the three months ended December 31, 2022**	**% change**	**Main explanations**
Research and development expenses	12,413	13,550	(8.4%)	A moderate decline in development costs, mainly attributed to the water technologies segment. Development costs in the pool water monitoring, control and treatment segment in the reporting period amounted to NIS 3 million.
Selling and marketing expenses	57,211	66,279	(13.7%)	The decline is due to a decline in marketing and advertising expenses, lower shipping costs, and a decline in wage expenses. Rising exchange rates in the period contributed to an increase of NIS 3.9 million.
General and administrative expenses	38,743	35,280	9.8%	The increase is largely due to higher IT expenses, as well as rising exchange rates in the period, which contributed a further NIS 1.5 million.
Other income, net	(247)	-	-	Mainly includes NIS 10 million in grants receivable following the Swords of Iron War, offset by an impairment loss of NIS 10.6 million on an intangible asset.
Operating profit (loss)	**105**	**(23,969)**	-	The improvement in operating profit is due to the increase in gross profit and lower operating expenses.
Finance expenses, net	15,940	26,049	(38.8%)	In the reporting period, net finance expenses were mainly recorded due to interest on credit. In the corresponding period, net finance expenses were recorded following higher interest on lines of credit and the revaluation of foreign currency transactions following the devaluation of the Shekel.
Other expenses (income)	38	(21)	-	-
Loss before taxes	**(15,873)**	**(49,997)**	(68.3%)	The decline is largely the result of the improvement in operating profit and lower finance expenses.
Tax benefits (expenses)	(4,484)	13,925	-	In the reporting period, tax expenses were recorded compared to a tax benefit last year due to the improvement in pretax earnings and a different profit mix in the subsidiaries.
Net loss	**(20,357)**	**(36,072)**	(43.6%)	The decline in the net loss is largely due to the improvement in operating profit and lower finance expenses.

6. Cash flows

Item	For the year ended December 31		Explanations
	2023	2022	
	NIS thousands		
Cash flows provided by (used in) operating activities	164,375	(216,749)	The significant increase in cash flows provided by operating activities in the reporting period is mainly due to a decline of NIS 67 million in inventory levels in the reporting period, compared to an increase of NIS 360 million in inventory last year.
Cash flows used in investing activities	(133,885)	(130,634)	In the reporting period, the Company settled a deferred liability of NIS 27 million in respect of the acquisition of stock of a consolidated company, and invested slightly more in the acquisition of fixed assets, mainly buildings at the Company's sites. By contrast, the Company invested less in intangible assets.
Cash flows provided by (used in) financing activities	(25,409)	217,404	In the reporting period, the Company secured less debt and also repaid larger amounts on account of long-term loans.
Exchange rate differences related to cash and cash equivalents	25	6,098	-
Translation differences related to cash of foreign operation	4,047	6,993	-
Change in cash and cash equivalents	**9,153**	**(116,888)**	The increase in cash is due to the increase in cash flows from operating activities.
Cash and cash equivalents at end of period	**130,044**	**120,891**	**-**

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, which is due to the revaluation of assets versus liabilities in those currencies, and cash flow exposure, which is due to net surplus revenues in said currencies.

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

   2.3 **Credit risk:** The Company secures credit from banks from time to time, partly at floating interest rates. Consequently, the Company is exposed to interest rate fluctuations.

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

3. Company policy for managing the above market risks:

   It is the Company's practice to hedge against currency risk arising from changes in foreign currency rates against the Shekel, based on the assessments of Company management. The Company's practice is to estimate the exposure to exchange rates (both cash flow and balance sheet exposure) on an ongoing basis, and to hedge a material part of this exposure, generally for six months to one year ahead.
   The hedges used by the Company are primarily 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 balance sheet exposure, the Company occasionally also purchases call options.

4. Oversight of the market risk management policy and its realization:

   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 December 31, 2023

	USD-linked	EUR-linked	AUD-linked	CPI-linked	Unlinked and other	Non-financial instru-ment	Total
	NIS thousands						
Assets							
Cash and cash equivalents	44,233	66,529	17,451	-	1,831	-	130,044
Short-term investments	243	-	-	7,299	11,178	-	18,720
Trade receivables, net	127,365	34,511	59,047	-	13,220	-	234,143
Other accounts receivable	11,817	7,919	1,354	-	45,919	15,521	82,530
Inventory	-	-	-	-	-	971,824	971,824
Long-term deposits and debit balances	-	721	639	-	4	-	1,364
Fixed assets, net	-	-	-	-	-	229,564	229,564
Right-of-use assets, net	-	-	-	-	-	152,361	152,361
Intangible assets, net	-	-	-	-	-	317,171	317,171
Deferred taxes, net	-	-	-	-	-	41,584	41,584
Total assets	**183,658**	**109,680**	**78,491**	**7,299**	**72,152**	**1,728,025**	**2,179,305**
Liabilities							
Short-term credit	314,216	3,578	20,827	-	306,081	-	644,702
Trade payables	127,751	7,508	5,036	-	42,410	-	182,705
Other accounts payable	30,047	18,175	8,955	-	61,573	22,134	140,884
Lease liabilities	-	-	-	-	-	160,707	160,707
Deferred taxes	-	-	-	-	-	1,691	1,691
Liabilities in respect of employee benefits, net	-	-	-	-	-	2,991	2,991
Contingent liability in respect of purchase of stock of a consolidated company	11,548	-	-	-	-	-	11,548
Other liabilities	13,259	9,057	901	-	173,978	-	197,195
Total liabilities	**496,821**	**38,318**	**35,719**	**-**	**584,042**	**187,523**	**1,342,423**
Net balance	**(313,163)**	**71,362**	**42,772**	**7,299**	**(511,890)**	**1,540,502**	**836,882**

Statement of financial position according to linkage bases on December 31, 2022

	USD-linked	EUR-linked	AUD-linked	CPI-linked	Unlinked and other	Non-financial instru-ment	Total
	NIS thousands						
Assets							
Cash and cash equivalents	39,135	72,093	6,697	-	2,966	-	120,891
Short-term investments	46	-	-	6,981	10,590	-	17,617
Trade receivables, net	102,529	25,049	56,311	-	3,615	-	187,504
Other accounts receivable	3,586	3,718	1,451	-	48,703	6,837	64,295
Inventory	-	-	-	-	-	1,016,098	1,016,098
Long-term deposits and debit balances	-	661	1,057	-	33	-	1,751
Fixed assets, net	-	-	-	-	-	200,312	200,312
Right-of-use assets, net	-	-	-	-	-	144,395	144,395
Intangible assets, net	-	-	-	-	-	297,453	297,453
Deferred taxes, net	-	-	-	-	-	41,298	41,298
Total assets	**145,296**	**101,521**	**65,516**	**6,981**	**65,907**	**1,706,393**	**2,091,614**
Liabilities							
Short-term credit	130,381	12,813	10,973	-	323,255	-	477,422
Trade payables	73,903	11,136	6,077	-	148,978	-	240,094
Other accounts payable	41,743	22,469	10,359	-	99,051	11,463	185,085
Lease liabilities	-	-	-	-	-	151,061	151,061
Deferred liability in respect of acquired subsidiary	25,882	-	-	-	-	-	25,882
Deferred taxes	-	-	-	-	-	1,502	1,502
Liabilities in respect of employee benefits, net	-	-	-	-	-	4,259	4,259
Contingent liability in respect of purchase of stock of a consolidated company	13,112	-	-	-	-	-	13,112
Other liabilities	19,361	1,144	758	-	232,680	-	253,943
Total liabilities	**304,382**	**47,562**	**28,167**	**-**	**803,964**	**168,285**	**1,352,360**
Net balance	**(159,086)**	**53,959**	**37,349**	**6,981**	**(738,057)**	**1,538,108**	**739,254**

<u>Derivative financial instruments:</u>

Presented below are details regarding the Company's derivative financial instruments which were not designated as hedging instruments:

On December 31, 2023:

			Par value in source currency, in thousands		
	Currency	**Maturity / expiration date**	**Long**	**Short**	**Fair value NIS thousands**
Foreign currency futures	EUR/ILS	1-12/2024	79,000	88,350	3,260
	AUD/ILS	1-12/2024	-	21,350	-907
	USD/ILS	1-12/2024	-	23,100	5,082

On December 31, 2022:

			Par value in source currency, in thousands		
	Currency	**Maturity / expiration date**	**Long**	**Short**	**Fair value NIS thousands**
Foreign currency futures	EUR/ILS	1-12/2023	146,500	120,000	-21,774
	AUD/ILS	1-12/2023		27,600	-1,241
	USD/ILS	01/2023		20,000	-100

Sensitivity tests on financial instruments as of December 31, 2023

As of the date of the statement of financial position, the Company performed four sensitivity tests on changes in market factors, in the upper and lower range of 5% and 10%. The market tests were performed in accordance with the model that was defined.

1. Table specifying the changes in the fair value of financial instruments which are sensitive to changes in the exchange rate of the **USD**:

	Profit (loss) from changes (NIS thousands)		NIS thousands	Profit (loss) from changes (NIS thousands)	
	+10% NIS 3.990 to USD 1	**+5%** NIS 3.808 to USD 1	**Fair value** NIS 3.627 to USD 1	**-5%** NIS 3.446 to USD 1	**-10%** NIS 3.264 to USD 1
Cash and cash equivalents	4,423	2,212	44,233	-2,212	-4,423
Short-term investments	24	12	243	-12	-24
Trade and other receivables	13,918	6,959	139,182	-6,959	-13,918
Short-term credit	-31,422	-15,711	-314,216	15,711	31,422
Trade and other payables	-15,780	-7,890	-157,798	7,890	15,780
Long-term loan	-1,270	-635	-12,704	635	1,270
Total	**-30,107**	**-15,053**	**-301,060**	**15,053**	**30,107**

2. Table specifying the changes in the fair value of financial instruments which are sensitive to changes in the exchange rate of the **EUR**:

	Profit (loss) from changes (NIS thousands)		NIS thousands	Profit (loss) from changes (NIS thousands)	
	+10% NIS 4.413 to EUR 1	**+5%** NIS 4.212 to EUR 1	**Fair value** NIS 4.012 to EUR 1	**-5%** NIS 3.811 to EUR 1	**-10%** NIS 3.610 to EUR 1
Cash and cash equivalents	6,653	3,326	66,529	-3,326	-6,653
Trade and other receivables	4,243	2,122	42,430	-2,122	-4,243
Short-term credit	-358	-179	-3,578	179	358
Trade and other payables	-2,568	-1,284	-25,683	1,284	2,568
Long-term loan	-822	-411	-8,216	411	822
Total	**7,148**	**3,574**	**71,482**	**-3,574**	**-7,148**

3. Table specifying the changes in the fair value of financial instruments which are sensitive to changes in the exchange rate of the **AUD**:

	Profit (loss) from changes (NIS thousands)		NIS thousands	Profit (loss) from changes (NIS thousands)	
	+10% NIS 2.723 to AUD 1	**+5%** NIS 2.599 to AUD 1	**Fair value** NIS 2.475 to AUD 1	**-5%** NIS 2.352 to AUD 1	**-10%** NIS 2.228 to AUD 1
Cash and cash equivalents	1,745	873	17,451	-873	-1,745
Trade and other receivables	6,040	3,020	60,401	-3,020	-6,040
Short-term credit	-2,083	-1,041	-20,827	1,041	2,083
Trade and other payables	-1,399	-700	-13,991	700	1,399
Total	**4,303**	**2,152**	**43,034**	**-2,152**	**-4,303**

4. Table specifying the changes in the fair value of financial instruments which are sensitive to changes in the **Consumer Price Index**:

	Profit from changes (NIS thousands)		NIS thousands	Loss from changes (NIS thousands)	
	+10% 115.5 points	**+5%** 110.2 points	**Fair value** 105.0 points	**-5%** 99.8 points	**-10%** 94.5 points
Short-term investments	730	365	7,299	-365	-730
Total	**730**	**365**	**7,299**	**-365**	**-730**

C. Aspects of Corporate Governance

Disclosure regarding the corporation's internal auditor

The Company's internal auditor is Mr. Daniel Shapira, C.P.A.

a. Mr. Shapira is an accountant with 31 years of experience in internal audits of public companies.

b. The internal auditor is not a Company employee but, provides the Company with internal audit services through outsourcing.

c. To the best of the Company's knowledge, the internal auditor meets the conditions set forth in section 146(B) of the Companies Law, 1999, and the conditions set forth in section 8 of the Internal Audit Law, 1992 (the "**Internal Audit Law**").

d. The auditor commenced his tenure in November 2004; his appointment was approved by the Company's Audit Committee and Board of Directors on November 9, 2004, due to his qualifications and professional experience.

e. The estimated scope of his position is 750 annual hours. In the opinion of the Audit Committee, this scope reflects the number of hours required to implement the audit plan.

f. For the year 2023, the internal auditor was paid a fee of NIS 180 thousand. The auditor's fees were paid based on the number of hours determined for the audit plan and its actual implementation, is independent of the audit results, and is in accordance with the accepted rate and market conditions, and therefore, the Board of Directors is of the opinion that it is not a factor which could affect his professional judgment.

g. Considerations in defining the current and multi-annual audit plans:
The audit plan for 2023 refers to the Company and its subsidiaries and was formulated and approved by the Board of Directors' Audit Committee at the internal auditor's recommendation in conjunction with Company management, noting the risk survey performed by the Company, such that most material issues would be evaluated as part of the internal audit work over the long term. The internal auditor has the discretion to deviate from the work plan.

h. Professional standards guiding the audit:
As announced by the internal auditor, the audit is performed in accordance with generally accepted auditing standards, professional guidance and instructions which were approved and published by the Institute of Internal Auditors in Israel.

i. The internal auditor's supervisor in the Company is the Company CEO.

j. In 2023, the internal auditor performed 7 audits. The reports were submitted to the Chairman of the Board, to the CEO and to the Audit Committee during the year, in writing. The reports were discussed in meetings of the Audit Committee that were dedicated to the discussion of the internal audit reports. The meetings included presentation of the internal audit report to the committee members; the internal auditor presented the audit findings, and the Company's representatives presented the Company's reference to the report as well as corrective actions.

<u>The reports addressed the following subjects</u>:

- An internal audit of robot safety. The audit was performed in May-June 2023 and was presented to the Audit Committee for discussion on August 9, 2023.
- An internal audit of bank accounts in a US subsidiary, performed in May-July 2023, and presented to the Audit Committee for discussion on August 9, 2023.
- An internal audit of the implementation of the recommendations presented in an audit report concerning logistics and shipping, which was performed in 2020. The audit was performed in June-July 2023 and presented to the Audit Committee for discussion on August 9, 2023.
- An internal audit of Human Resources and wages. The audit was performed in July-September 2023 and presented to the Audit Committee for discussion November 26, 2023.
- An internal audit of inventory management in a US subsidiary. The audit was performed in September 2023-January 2024, and presented to the Audit Committee for discussion on February 15, 2024.
- An internal audit of the implementation of the recommendations presented in an audit report concerning logistics and shipping in a US subsidiary, which was performed in 2020. The audit was performed in November-December 2023 and presented to the Audit Committee for discussion on February 15, 2024.
- An internal audit of procurement and wages in a subsidiary in Spain. The audit was performed in September-December 2023 and presented to the Audit Committee for discussion on February 15, 2024.

k. Scope, nature and consecutiveness of the internal auditor's activities and work plan:
The Board of Directors is of the opinion that the scope, nature and consecutiveness of the internal auditor's activities and work plan are reasonable and adequate for the purpose of achieving the Company's internal audit goals. The scope of the audit will be evaluated each year by the internal auditor in conjunction with the Audit Committee and Company management.

l. The internal auditor has continuous, direct access to any information sought by him, including financial data as specified in section 9 of the Internal Audit Law, as well as concerning audits he had conducted as aforesaid with respect to the Company's subsidiaries.

Disclosure regarding the auditor's fees

The Company's auditor is Kost Forer Gabbay & Kasierer (EY Israel).
The Company auditor's fees in 2023 and 2022 for audit services, audit-related services and tax services amounted to NIS 957 thousand and NIS 844 thousand per year, respectively.
The auditor's fees were determined between the Company and the auditors in accordance with the required scope of work.

Directors with accounting and financial expertise

In accordance with the provisions of the Securities Law, 1968 and the provisions of the Companies Law, 1999 and the regulations promulgated under the Companies Law, the Company was required to determine the appropriate minimum number of directors with accounting and financial expertise.

The Company's Board of Directors decided that noting the scope of the Company's business, its size and field of business, the appropriate minimum number of directors with accounting and financial expertise will be at least two directors.
As of the date of this report, 3 directors have accounting and financial expertise: Mr. Shlomo Liran, Mr. Ariel Brin-Dolinko and Ms. Shirith Kasher. For details regarding their relevant education and experience, see section 14 in Part D (Additional Information) of this Periodic Report.

Independent directors

As of the date of this report, the Company has not adopted a provision in its articles of association regarding the minimum number of independent directors (as this term is defined in the Companies Law, 1999) who will serve on the Company's Board of Directors from time to time.
It is noted that as of the date of this report, one independent director serves on the Company's Board of Directors - Ms. Shirith Kasher, as specified in Regulation 26(A) in Part D of this Periodic Report.

Donations

The Company's policy is to donate to organizations and nonprofits that work for the benefit of the community, for the advancement of health issues and to support populations in need. In 2023, the Company donated NIS 345 thousand. In addition to the cash donation, Company employees participated in various volunteer activities in support of disadvantaged communities.

Critical accounting estimates

In preparing the financial statements, Company management is required to apply judgment and to use assessments, estimates and assumptions, which affect the implementation of accounting policy. For further information regarding these assumptions and estimates, see Note 3 to the financial statements.

		March 26, 2024
Yonatan Bassi Chairman of the Board	Sharon Goldenberg Chief Executive Officer	Date of Approval of the Board of Directors' Report

Unofficial Translation from Hebrew

Maytronics Ltd.

Consolidated Financial Statements
As of December 31, 2023

Unofficial Translation from Hebrew

Maytronics Ltd.

Consolidated Financial Statements as of December 31, 2023

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Building a better working world

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Independent Auditors' Report to the Shareholders of Maytronics Ltd.

Regarding the Audit of Components of Internal Control over Financial Reporting

In Accordance with Section 9B(c) of the Securities Regulations

(Periodic and Immediate Reports), 1970

We have audited internal controls over financial reporting of Maytronics Ltd. and its subsidiaries (hereinafter, jointly: the "Company") as of December 31, 2023. These controls were determined as explained in the following paragraph. The Company's board of directors and management are responsible for maintenance of effective internal control over financial reporting and for the evaluation of the effectiveness of internal control components over financial reporting attached to the periodic report for the abovementioned date. Our responsibility is to express an opinion on internal control components over the Company's financial reporting, based on our audit.

Internal control components over financial reporting audited by us were determined in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "Audit of Internal Control over Financial Reporting" (hereinafter – "Audit Standard (Israel) 911"). These components are: (1) Entity level controls, including controls over the preparation and closure of the financial reporting process and general information technology controls; (2) controls over the revenue process; (3) controls over the inventory process (all of these will be referred to hereinafter as: the "Audited Control Components").

We conducted our audit in accordance with Auditing Standard (Israel) 911. Pursuant to this standard we are required to plan and perform the audit with the goal of identifying the Audited Control Components and to obtain a reasonable level of certainty whether these control components were effectively maintained in all material respects. Our audit included gaining an understanding of the internal control over financial reporting, identification of the Audited Control Components, evaluation of the risk that a significant weakness exists in the Audited Control Components, and examination and evaluation of the effectiveness of the planning and operation of those control components based on the assessed risk. Our audit, with respect to those control components, also included performance of other procedures such as those we considered necessary under the circumstances. Our audit referred solely to the Audited Control Components, as opposed to internal control over the overall significant processes in connection with the financial reporting and, therefore, our opinion relates solely to the Audited Control Components. In addition, our audit did not refer to reciprocal impacts between the Audited Control Components and those not audited and, therefore, our opinion does not take into account these possible impacts. We believe our audit provides a reasonable basis for our opinion in the context described above.

Because of its inherent limitations, internal control over financial reporting, in general, and components thereof, in particular, may not prevent or discover a misstatement. In addition, drawing conclusions with respect to the future on the basis of evaluation of any current effectiveness is exposed to the risk that the controls will become inadequate due to changes in circumstances or that the extent of compliance with the policies or the procedures will change for the worse.

In our opinion, the Company effectively implemented, in all material respects, the Audited Control Components as of December 31, 2023.

We have also audited, in accordance with generally accepted auditing standards in Israel, the Company's consolidated financial statements as of December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, and our report, dated March 26, 2024, includes an unqualified opinion regarding those financial statements.

Haifa,

March 26, 2024

Kost Forer Gabbay and Kasierer
Certified Public Accountants

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Independent Auditors' Report

To the Shareholders of Maytronics Ltd.

We have audited the attached consolidated statements of financial information of Maytronics Ltd. (hereinafter: the "Company") as of December 31, 2023 and 2022, as well as the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2023. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on these financial statements, based on our audit.

We have not audited the financial statements of consolidated companies, whose assets as included in the consolidation constitute 39% and 35% of total consolidated assets as of December 31, 2023 and 2022, respectively, and whose income as included in the consolidation constitute 61%, 54% and 45% of total consolidated income for the years ended December 31, 2023, 2022 and 2021, respectively. The financial statements of those companies were audited by other auditors, whose reports were furnished to us, and our opinion, insofar as it pertains to the amounts which were included in respect of those companies, is based on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards set forth in the Auditors' Regulations (Auditor's Mode of Performance), 1973. Pursuant to these standards, we are required to plan and conduct the audit with the aim of obtaining a reasonable measure of assurance that the financial statements are free of any material misrepresentation. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated companies as of December 31, 2023 and 2022, and the results of their operations, changes in equity and cash flows for each of the three years in the period ended December 31, 2023, in conformity with International Financial Reporting Standards (IFRS) and with the provisions of the Securities Regulations (Annual Financial Statements), 2010.

Key Audit Matters ("KAM")

Key audit matters are matters that were communicated, or were required to be communicated, to the Board of Directors of the Company and which, according to our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters include, inter alia, any matter that (1) relates, or may relate, to material sections or disclosures in the financial statements, and that (2) our judgment in their respect was challenging, subjective or particularly complex. These matters were addressed in our audit and in the formulation of our opinion of the overall consolidated financial statements. The communication of these matters below does not alter our opinion on the overall consolidated financial statements, and we do not render thereby a separate opinion on those matters or on the sections or disclosures to which they refer.

Capitalization of Development Costs

As stated in note 14 to the financial statements of the Group, in 2023, development costs amounting to NIS 31 million were capitalized, and the Group's total net balance of capitalized development costs as of December 31, 2023 was NIS 160 million. Capitalization of development costs requires the exercise of judgment by management and the persons responsible for corporate governance when determining if an expense meets the criteria in IAS 38, Intangible Assets, and is consistent with the Group's accounting policies. The Company distinguishes between costs generated in the research phase, which are recognized as an expense when incurred, and costs generated in development, which are capitalized by the Group after the criteria for capitalization in accordance with IAS 38 have been met.

Due to the foregoing and particularly in view of the high amount of capitalized costs and the judgment given to management regarding capitalization, we identified this as a key audit matter.

Audit Procedures Implemented in Response to the Key Audit Matter

Following are the main procedures implemented with respect to this KAM in our audit:

- Assessment of the satisfaction of the criteria for capitalization of development costs.
- Review of Group management's main assumptions when defining the project phase and determining that a project is in the development phase.
- Assessment of the accuracy of the costs and a review of the existence of indications of impairment.
- Assessment of the fairness of the disclosure in the consolidated financial statements concerning the matter.

Inventory Impairment

As stated in note 10 to the financial statements of the Group, inventory balance as of December 31, 2023 was NIS 972 million after recognition of a provision for inventory impairment at an amount of NIS 13 million. In each period, the Company reviews inventory status based on actual and future utilization/use of the material, as well as on inventory age. According to this analysis, in each period the Company revises the provision for impairment in respect of slow-moving and obsolete inventory.

Group management is required to exercise judgment that involves assessments and estimates when recording a provision for inventory impairment and measuring it as the lower of cost or net realizable value, based on the most recent selling price and future market conditions that will affect the sale of the inventory.

Due to the complexity of the matter and its materiality in the financial statements, we identified this as a key audit matter.

Audit Procedures Implemented in Response to the Key Audit Matter

Following are the main procedures implemented with respect to this KAM in our audit:

- Assessment of the accuracy of the analysis of inventory aging and evaluation of management's judgment regarding the amount of the provision for inventory impairment.
- Interviews with management.
- On a test basis, examination of the calculation of the value of inventory in the Company's financial systems.
- Observance of the Company's inventory counts, on a test basis, including a review of the presence and integrity of items, on a test basis.

We have also audited, in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "Audit of Internal Control over Financial Reporting", the Company's components of internal control over financial reporting as of December 31, 2023, and our report dated March 26, 2024 includes an unqualified opinion regarding the effective maintenance of those components.

Haifa,	Kost Forer Gabbay & Kasierer
March 26, 2024	Certified Public Accountants

Maytronics Ltd.

Consolidated Statements of Financial Position

	Note	December 31 2023	December 31 2022
		Audited	
		NIS thousands	
ASSETS			
Current assets			
Cash and cash equivalents	6	130,044	120,891
Short-term investments	7	18,720	17,617
Trade receivables, net	8	234,143	187,504
Other accounts receivable	9	82,530	64,295
Inventory	10	971,824	1,016,098
		1,437,261	1,406,405
Non-current assets			
Long-term receivables	11	1,364	1,751
Fixed assets, net	12	229,564	200,312
Right-of-use assets, net	13	152,361	144,395
Intangible assets, net	14	317,171	297,453
Deferred taxes, net	20D	41,584	41,298
		742,044	685,209
		2,179,305	2,091,614

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

Maytronics Ltd.

Consolidated Statements of Financial Position

	Note	December 31 2023	December 31 2022
		Audited	
		NIS thousands	
LIABILITIES AND EQUITY			
Current liabilities			
Credit from banks	15	644,702	477,422
Current maturities of lease liabilities	13	28,070	26,910
Current maturities of deferred liability in respect of acquired subsidiary	5	-	25,882
Deferred contingent consideration in respect of acquired subsidiary	5	11,548	-
Trade payables	16	182,705	240,094
Income tax payable	20	1,610	3,476
Other accounts payable	17	122,364	161,438
Provisions	25	16,910	20,171
		1,007,909	955,393
Non-current liabilities			
Loans from banks	18	190,409	248,157
Lease liabilities	13	132,637	124,151
Deferred contingent consideration in respect of acquired subsidiary	5	-	13,112
Employee benefit liabilities, net	19	2,991	4,259
Other long-term liabilities	22	6,786	5,786
Deferred taxes	20D	1,691	1,502
		334,514	396,967
Equity attributable to equity holders of the Company	23		
Share capital		11,257	11,229
Share premium		119,018	115,472
Treasury shares		(500)	(500)
Retained earnings		609,428	555,179
Capital reserve from share-based payment transactions		30,775	20,613
Capital reserve from transactions with controlling shareholder		164	164
Capital reserve from remeasurement of defined benefit plans		1,038	388
Revaluation surplus		2,147	2,147
Capital reserve from transactions with non-controlling interests		(6,895)	(6,895)
Adjustments arising from translation of financial statements of foreign operations		(8,208)	(23,720)
		758,224	674,077
Non-controlling interests		78,658	65,177
Total equity		836,882	739,254
		2,179,305	2,091,614

March 26, 2024			
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 consolidated financial statements.

Maytronics Ltd.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Note	2023	2022	2021
		For the year ended December 31		
		Audited		
		NIS thousands		
Revenue from sales	27A	1,889,565	1,786,896	1,409,395
Cost of sales	27B	1,099,640	1,068,587	816,132
Gross profit		789,925	718,309	593,263
Research and development expenses	27C	55,060	52,641	46,582
Selling and marketing expenses	27D	332,562	238,088	155,408
General and administrative expenses	27E	144,339	134,919	113,553
Other income, net	27F	(247)	-	-
Operating income		258,211	292,661	277,720
Other income (expenses), net		21	29	(114)
Finance income	27G	33,166	15,689	34,384
Finance expenses	27H	(99,505)	(44,644)	(30,156)
Income before taxes		191,893	263,735	281,834
Taxes on income	20	28,334	35,986	41,580
Net income		163,559	227,749	240,254
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		18,323	23,908	(21,276)
Amounts that will not subsequently be reclassified to profit or loss:				
Remeasurement gain from defined benefit plans		650	2,042	327
Total other comprehensive income (loss)		18,973	25,950	(20,949)
Total comprehensive income		182,532	253,699	219,305
Net income attributable to:				
Equity holders of the Company		148,249	218,296	224,012
Non-controlling interests		15,310	9,453	16,242
		163,559	227,749	240,254
Total comprehensive income attributable to:				
Equity holders of the Company		164,411	240,669	207,227
Non-controlling interests		18,121	13,000	12,078
		182,532	253,699	219,305

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

Maytronics Ltd.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Note	For the year ended December 31 2023	2022	2021
		NIS		
Net earnings per share (basic and diluted) attributable to equity holders of the Company (in NIS)	28			
Basic net earnings per share		1.35	2.00	2.05
Diluted net earnings per share		1.35	1.99	2.04

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

Maytronics Ltd.

Consolidated Statements of Changes in Equity

	Attributable to Equity Holders of the Company												
	Share capital	Share premium	Treasury shares	Retained earnings	Capital reserve from share-based payment transactions	Capital reserve from transactions with controlling shareholder	Adjustments arising from translation of financial statements of foreign operations	Capital reserve from re-measurement of defined benefit plans	Revaluation surplus	Capital reserve from transactions with non-controlling interests	Total	Non-controlling interests	Total equity
	NIS thousands												
Balance as of January 1, 2023	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	-	-	-	148,249	-	-	-	-	-	-	148,249	15,310	163,559
Other comprehensive income - adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	-	15,512	-	-	-	15,512	2,811	18,323
Income from remeasurement of defined benefit plans	-	-	-	-	-	-	-	650	-	-	650	-	650
Total other comprehensive income	-	-	-	-	-	-	15,512	650	-	-	16,162	2,811	18,973
Total comprehensive income	-	-	-	148,249	-	-	15,512	650	-	-	164,411	18,121	182,532
Exercise of share options	28	3,546	-	-	(3,546)	-	-	-	-	-	28	-	28
Dividend paid	-	-	-	(94,000)	-	-	-	-	-	-	(94,000)	-	(94,000)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(4,640)	(4,640)
Cost of share-based payment	-	-	-	-	13,708	-	-	-	-	-	13,708	-	13,708
Balance as of December 31, 2023	11,257	119,018	(500)	609,428	30,775	164	(8,208)	1,038	2,147	(6,895)	758,224	78,658	836,882

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

Maytronics Ltd.

Consolidated Statements of Changes in Equity

	Attributable to Equity Holders of the Company												
	Share capital	Share premium	Treasury shares	Retained earnings	Capital reserve from share-based payment transactions	Capital reserve from transactions with controlling shareholder	Adjustments arising from translation of financial statements of foreign operations	Capital reserve from re-measurement of defined benefit plans	Revaluation surplus	Capital reserve from transactions with non-controlling interests	Total	Non-controlling interests	Total equity
	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 other comprehensive income	-	-	-	-	-	-	20,361	2,042	-	-	22,403	3,547	25,950
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 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
	NIS thousands												
Balance as of January 1, 2021	11,116	108,007	(500)	357,963	8,440	164	(26,969)	(1,981)	2,147	(6,895)	451,492	31,689	483,181
Net income	-	-	-	224,012	-	-	-	-	-	-	224,012	16,242	240,254
Other comprehensive income (loss) - adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	-	(17,112)	-	-	-	(17,112)	(4,164)	(21,276)
Income from remeasurement of defined benefit plans	-	-	-	-	-	-	-	327	-	-	327	-	327
Total other comprehensive income (loss)	-	-	-	-	-	-	(17,112)	327	-	-	(16,785)	(4,164)	(20,949)
Total comprehensive income (loss)	-	-	-	224,012	-	-	(17,112)	327	-	-	207,227	12,078	219,305
Exercise of share options	94	5,064	-	-	(5,064)	-	-	-	-	-	94	-	94
Dividend paid	-	-	-	(120,082)	-	-	-	-	-	-	(120,082)	-	(120,082)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(5,149)	(5,149)
Cost of share-based payment	-	-	-	-	8,327	-	-	-	-	-	8,327	-	8,327
Balance as of December 31, 2021	11,210	113,071	(500)	461,893	11,703	164	(44,081)	(1,654)	2,147	(6,895)	547,058	38,618	585,676

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

Consolidated Statements of Cash Flows

	For the year ended December 31		
	2023	2022	2021
	Audited		
	NIS thousands		
Cash flow from operating activities			
Net income	163,559	227,749	240,254
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to profit or loss items:			
Taxes on income	40,840	57,931	47,043
Deferred taxes, net	548	(13,499)	(3,329)
Finance expenses, net	62,045	18,105	7,049
Depreciation and amortization	88,426	69,678	56,211
Impairment of an intangible asset	10,600	-	-
Cost of share-based payment	13,708	11,311	8,327
Revaluation of options to Kibbutz members	(140)	(2,068)	(582)
Increase (decrease) in employee benefits liabilities, net	(618)	1,853	246
Interest accrued on long-term deposit and exchange differences from investments	166	(188)	(947)
Capital loss (gain) from sale of fixed assets, net	(183)	391	(139)
Revaluation of securities measured at fair value through profit or loss, net	(663)	1,962	(1,006)
Revaluation of derivatives	(30,550)	47,185	(23,133)
Deferred contingent consideration in respect of acquired subsidiary	(1,865)	-	-
Exchange differences from cash and cash equivalents	(25)	(6,098)	8,656
	182,289	186,563	98,396
Changes in assets and liabilities items:			
Increase in trade receivables, net	(40,889)	(55,189)	(41,111)
Decrease (increase) in other accounts receivable (including long-term)	(10,394)	7,793	(20,459)
Decrease (increase) in inventory	67,179	(360,183)	(216,265)
Increase (decrease) in trade payables	(73,916)	(*)(166,597)	90,691
Increase (decrease) in other accounts payable, provisions and taxes payable	(23,471)	15,099	33,801
Increase in other liabilities	2,903	4,052	630
	(78,588)	(555,025)	(152,713)
Cash paid and received during the year in respect of:			
Interest and dividends received	459	459	468
Interest paid	(62,504)	(18,564)	(7,517)
Taxes paid	(40,840)	(57,931)	(47,043)
	(102,885)	(76,036)	(54,092)
Net cash provided by (used in) operating activities	164,375	(216,749)	131,845

(*) The decrease in trade payables is largely attributed to the first-time consolidation of ECCXI, the business combination date being July 28, 2022 (see Note 5).

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

Consolidated Statements of Cash Flows

	For the year ended December 31		
	2023	2022	2021
	Audited		
	NIS thousands		
Cash flows from investing activities			
Purchase and capitalization of intangible assets	(48,723)	(59,059)	(39,613)
Purchase of fixed assets	(61,809)	(58,311)	(52,941)
Proceeds from sale of fixed assets	476	204	266
Receipt of investment grants	3,734	-	-
Acquisition of first-time consolidated subsidiary (B)	-	3,029	-
Repayment of deferred liability in respect of acquired subsidiary	(27,123)	(16,538)	(15,962)
Proceeds from sale (purchase) of securities measured at fair value through profit or loss, net	(440)	41	(311)
Net cash used in investing activities	(133,885)	(130,634)	(108,561)
Cash flows from financing activities			
Proceeds from exercise of options	28	19	94
Receipt of short-term credit, net	159,999	145,944	147,709
Receipt of long-term loan	12,056	270,000	32,030
Repayment of long-term loan	(69,409)	(46,146)	(24,208)
Dividend paid to equity holders of the Company	(94,000)	(125,010)	(120,082)
Dividend paid to non-controlling interests	(4,640)	(4,100)	(5,149)
Repayment of lease liabilities	(29,443)	(23,303)	(19,192)
Net cash provided by (used in) financing activities	(25,409)	217,404	11,202
Exchange differences on balances of cash and cash equivalents	25	6,098	(8,656)
Translation differences from cash balances of foreign operations	4,047	6,993	(14,568)
Increase (decrease) in cash and cash equivalents	9,153	(116,888)	11,262
Cash and cash equivalents at beginning of year	120,891	237,779	226,517
Cash and cash equivalents at end of year	130,044	120,891	237,779

	For the year ended December 31		
	2023	2022	2021
	NIS thousands		
(A) Significant non-cash transactions			
Purchase of fixed assets and intangible assets on credit	3,368	18,059	12,161
Recognition of right-of-use asset against lease liability	37,891	59,962	35,299
Deferred liability in respect of acquired subsidiary	-	24,751	-

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

Consolidated Statements of Cash Flows

	For the year ended December 31		
	2023	2022	2021
	Audited		
	NIS thousands		
(B) Acquisition of first-time consolidated subsidiary			
Working capital (excluding cash and cash equivalents)	-	32,427	-
Fixed assets	-	(769)	-
Right-of-use assets	-	(6,896)	-
Intangible assets	-	(47,705)	-
Goodwill	-	(36,229)	-
Lease liability	-	7,000	-
Deferred liability	-	24,751	-
Deferred contingent consideration	-	12,791	-
Non-controlling interests	-	17,659	-
	-	3,029	-

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

Note 1 - General

A. Maytronics Ltd. and its investee companies are engaged in the development, manufacturing and marketing of robotic cleaners for private and public pools, private pool alarms, drowning detection systems for private and public pools and covers for private swimming pools, as well as in the marketing and sale of related swimming pool products produced by various manufacturers.

B. On July 2, 2007, the Company formed Maytronics US Inc. in the United States (hereinafter: "MTUS" or the "Consolidated Company in the US"). The consolidated company markets the Company's products in the United States, and provides service for private and public pool robots.

C. In early 2009 the Company acquired control of MG International SA (hereinafter: "MTFR" or the "Consolidated Company in France"), a French company whose shares are listed on the Euronext Growth exchange in Europe. MTFR markets the Company's products, manufactures pool covers, and provides service for all of its products, including private and public pool robots, mostly for the French market. As of December 31, 2023, the Company holds 73% of MTFR's issued and paid-up share capital, and 82.45% of its voting rights.

D. In 2011 the Company formed Maytronics Australia Pty Ltd (hereinafter: "MTAU" or the "Consolidated Company in Australia"), jointly with senior executives. MTAU markets the Company's products mainly in Australia and New Zealand, and provides service for private and public pool robots. As of December 31, 2023, the Company holds 61.2% of MTAU's issued and paid-up share capital.

E. In June 2020, the Company acquired all shares of Bunger & Frese GmbH (hereinafter: "BF" or the "Consolidated Company in Germany"). BF is a distributor for the Company in the German market, which specializes in sales to pool builders and in e-commerce sales, and is engaged in two main fields of business: sales of robotic pool cleaners and sales of a wide variety of pool equipment.

F. In November 2020, the Company completed the formation of a wholly owned subsidiary, Maytronics Spain and Portugal S.L. (hereinafter: "MTSP" or the "Consolidated Company in Spain"), which, since 2021, is engaged in marketing and sales promotion in the Spain and Portugal territory and in the provision of technical support services to the Company's distributors and dealers.

G. In July 2022, the Company entered into an agreement with ECCXI Holdco., Inc. (hereinafter: the "Seller") and with Michael Hoffman and Christopher Hoffman, controlling shareholders of the Seller, for the acquisition of 70% of the share capital of ECCXI, LLC and the rights therein (hereinafter: "ECCXI"). ECCXI is an American corporation that mainly owns Backyard Pool Superstore, LLC, a private company that specializes in eCommerce in the pool business, as well as three other corporations.

H. In November 2023, the Company established ECCXI Europe Ltd., a wholly owned subsidiary, which is intended to serve as an online sales channel in Europe. The subsidiary is expected to initiate commercial activity after the reporting date.

Note 1 - General (cont'd)

I. Swords of Iron War

On October 7, 2023, the Swords of Iron War broke out (hereinafter: the "War") in Israel. The continuation of the War led to a slowdown in business activity in Israel, among other things as a result of the closure of manufacturing sites in Southern and Northern Israel, damage to infrastructure and the call-up of reservists for an indefinite period, as well as to the disruption of economic activity in the country. The prolongation of the War could have extensive repercussions on many sectoral spheres and different geographical regions in Israel.

Following is a description of the effects of the War on the Company's business in the fourth quarter of 2023:

i. Dozens of Company employees have been called up, as well as dozens of their family members, which has affected the availability of part of the Company's employees.

ii. The reduction in the activity of educational frameworks in many areas has affected the availability of Company employees, particularly in the first month of the War.

iii. The production site in the Dalton Industrial Zone is located near the Lebanese border and is under the threat of rocket fire. Production activity at the site has continued, but has been affected by ongoing challenging employee attendance.

iv. Several employees of the Dalton site have been evacuated from their homes by the government and are not available for work at the site.

The Company continues to maintain its regular operations to the greatest extent possible according to its work plans, and is monitoring all possible consequences of the War on its businesses in Israel and abroad.

At the present stage, there is considerable uncertainty as to the development of the War and its scale, and the full scope of the impact on the Company and on its results in the medium and long term cannot be estimated.

It is noted that the Company applied to the Property Tax Authority and the Compensation Fund, requesting compensation for indirect damage as a result of the security situation. The Company recognized an asset receivable in respect of a grant of NIS 10 million, half of which was received after the date of the statement of financial position, and in management's estimate, there is reasonable assurance that the remainder will also be received. See Note 27F.

J. Effects of inflation and rising interest rates

As a result of global macroeconomic developments in 2022, inflation rose 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, leading to higher borrowing costs on the Company's loans and current line of credit.

For information on interest rates applying to the Company's loans and current line of credit, see Notes 15 and 18.

Note 1 - General (cont'd)

K. Definitions

In these financial statements:

The Company	-	Maytronics Ltd.
The Group	-	Maytronics Ltd. and its investee companies.
Consolidated Companies	-	Companies controlled by the Company ("control" as defined in IFRS 10), whose financial statements are consolidated with the financial statements of the Company.
Controlling Shareholders and Interested Parties	-	As defined in the Securities Regulations (Annual Financial Statements), 2010.
Related Parties	-	As defined in IAS 24.

L. The Group's activities are characterized by seasonality. Most of the Group's sales and profits are generated in the first two quarters of the year.

Note 2 - Significant Accounting Policies

The accounting policy described below was consistently applied in the financial statements, throughout all periods presented, unless specified otherwise.

A. Basis of presentation

The financial statements were prepared in accordance with International Financial Reporting Standards (IFRS).
In addition, the financial statements were prepared in accordance with the provisions of the Securities Regulations (Annual Financial Statements), 2010.
The Company's financial statements were prepared on a cost basis, except for financial assets and liabilities which are presented at fair value through profit or loss, provisions, and assets and obligations in respect of employee benefits.

The Company has elected to present components of profit or loss according to the function of expense method.

B. Operating cycle

The Group's operating cycle is one year.

C. Consolidated financial statements

The consolidated financial statements include the financial statements of companies controlled by the Company (subsidiaries). Control exists when the Company has power over the investee, exposure or rights to variable returns from involvement with the investee, and the ability to use its power to influence the amount of the returns arising from the investee. The assessment of control includes considering the effect of potential voting rights only if they are substantive (i.e., the holder has the practical ability to exercise the rights). Financial statements are consolidated from the date on which control is acquired until the date on which contol no longer exists.

Note 2 - Significant Accounting Policies (cont'd)

C. Consolidated financial statements (cont'd)

The financial statements of the Company and its subsidiaries are prepared for the same dates and periods. The accounting policy in the subsidiaries' financial statements was applied consistently and uniformly with the policy which was applied in the Company's financial statements. Material intercompany balances and transactions and profit and loss arising from transactions between the Company and its subsidiaries were fully eliminated in the consolidated financial statements.

Non-controlling interests in respect of subsidiaries represent the equity of the subsidiaries which is not attributable, directly or indirectly, to the parent company. Non-controlling interests are presented separately under the Company's equity. Profit or loss and any component of other comprehensive income are attributed to the Company and to non-controlling interests. Losses are attributed to non-controlling interests even if this results in a negative balance of non-controlling interests in the consolidated statement of financial position.

Changes in the ownership interest in a subsidiary which do not lead to loss of control are recognized as a change in equity by adjusting the balance of non-controlling interests against the equity attributed to the Company's shareholders, less/plus the consideration which was paid or received.

D. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The acquisition cost is measured according to the fair value of the consideration transferred on the acquisition date, plus non-controlling interests in the acquiree. In any business combination, the Company chooses whether to measure non-controlling interests in the acquiree at their fair value on the acquisition date, or at their proportionate share of the fair value of the acquiree's net identifiable assets.

Contingent consideration is recognized at fair value on the acquisition date. Contingent consideration is classified as a financial asset or liability in accordance with IFRS 9. Subsequent changes in the fair value of the contingent consideration are recognized in profit or loss, with changes in estimates classified to other income/expenses and changes in time value classified to finance expenses.

E. Functional currency, presentation currency and foreign currency

1. Functional currency and presentation currency

The presentation currency of the financial statements is the NIS.

The Group determines the functional currency for each company in the Group, and uses that currency to measure each company's financial position and operating results separately.

The Company's functional currency is the NIS.
The functional currency of the subsidiary in the United States is the USD. The functional currency of the subsidiary in France is the EUR. The functional currency of the subsidiary in Australia is the AUD. The functional currency of the subsidiary in Germany is the EUR. The functional currency of the subsidiary in Spain is the EUR.

Note 2 - Significant Accounting Policies (cont'd)

F. Inventory

Inventory is measured at the lower of cost or net realizable value. The cost of inventory includes the costs of purchase and costs incurred in bringing inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and costs required to make the sale. The Company periodically evaluates the inventory status, mostly based on current and future use of the material and based on its age, and makes provisions for slow and dead inventory accordingly.

The cost of inventory is determined as follows:

Raw and auxiliary materials	-	According to the weighted average method.
Goods in process and finished goods	-	Based on the average cost, including materials, labor and other direct and indirect manufacturing costs.

G. Revenue recognition

Revenue from contracts with customers is recognized in profit or loss when control of the asset is transferred to the customer. The transaction price is the amount of consideration which is expected to be received according to the contract terms, less amounts which have been collected for third parties (e.g., taxes).

Revenue from the sale of goods

Revenue from the sale of goods is recognized in the statement of income at the point in time when control of the goods being sold is transferred to the customer. Control is generally transferred on the date of delivery.

Revenue which includes warranty services

As part of its contracts, the Company provides warranty services to its customers, in accordance with provisions of law or in line with standard industry practice. In most of the Company's contracts, warranty services are provided to guarantee the quality of the work and not as an additional service to the customer. Accordingly, the warranty does not constitute a separate performance obligation, and the Company therefore recognizes a provision for the warranty in its financial statements in accordance with the guidance in IAS 37.

H. Government grants

Government grants are recognized when there is reasonable assurance that the grants will be received, and that the Company will meet all conditions for the receipt of the grant.

For information on the recognition of grants in compensation for war damages, see Note 1I regarding the impacts of the Swords of Iron War and Note 27F regarding other income.

Note 2 - Significant Accounting Policies (cont'd)

I. Taxes on income

1. Current taxes

The current tax liability is determined using the tax rates and tax laws which were enacted, or substantially enacted, until the reporting date, as well as adjustments required in connection with the tax liability which is due in respect of prior years.

2. Deferred taxes

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that they will be utilized. Temporary differences in which respect deferred tax assets were not recognized are reviewed at each reporting date, and if it is probable that they will be utilized, a corresponding deferred tax asset is recognized.
The calculation of deferred taxes does not include taxes that would apply upon the realization of investments in investees, for as long as the sale of the investment is not expected in the foreseeable future. Furthermore, deferred taxes in respect of the distribution of profits by investees as dividends were not taken into account, since the dividend distribution does not involve additional tax liability or due to the Company's policy of not initiating dividend distributions by consolidated companies that would result in additional tax liability.

J. Leases

1. The Group as lessee

For transactions in which the Company is the lessee, at the commencement date it recognizes a right-of-use asset against a lease liability, except for transactions for a period of up to 12 months and transactions in which the underlying asset is of low value, where the Company has elected to recognize the lease payments as an expense in profit or loss on a straight-line basis over the lease term.

At the commencement date, the lease liability includes all of the unpaid lease payments, discounted by the Company's incremental borrowing rate. After the commencement date, the Company measures the lease liability using the effective interest method.

The right-of-use asset is measured applying the cost model and is depreciated over the shorter of its useful life or the lease period.

Following is information on the number of years of depreciation of the relevant right-of use assets according to right-of-use asset groups:

	No. of years	Mainly
Property	2-15	9
Vehicles	2-5	3
Computers and peripheral equipment	2-5	5

When there are signs of impairment, the Company reviews the impairment of a right-of-use asset according to the guidance in IAS 36.

Note 2 - Significant Accounting Policies (cont'd)

J. Leases (cont'd)

2. Options to extend or terminate a lease

The non-cancellable lease term also includes periods covered by an option to extend the lease when it is reasonably certain that the option will be realized, as well as periods covered by an option to terminate the lease when it is reasonably certain that the option will not be exercised.

K. Fixed assets

Fixed asset items are presented at cost plus direct acquisition costs.

Depreciation is calculated at equal annual rates on a straight-line basis over the asset's useful life, as follows:

	%	Mainly %
Machines, equipment and molds	10-20	20
Vehicles	15	15
Furniture and office equipment	6-33	33
Leasehold improvements	See below	

Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term (including options to extend which are available to the Group, and which it intends to exercise) or the estimated life of the assets.

The useful life, depreciation method and residual value of each asset are reviewed at least at the end of each year, and changes are prospectively accounted for as changes in accounting estimates.

L. Intangible assets

Intangible assets purchased in business combinations are measured at fair value on the acquisition date. Costs in respect of internally developed intangible assets, excluding discounted development costs, are carried to profit or loss when incurred.

Intangible assets with a finite useful life are amortized over their useful life on a straight-line basis and are tested for impairment when an indication of impairment exists. The amortization period and amortization method for intangible assets are reviewed at least at the end of each year.

Research and development costs

Research costs are recognized in profit or loss when incurred. Costs incurred in respect of a development project or in-house development are recognized as an intangible asset only if it is possible to demonstrate the technological feasibility of completing the intangible asset so that it will be available for use or sale; the Company's intention to complete the intangible asset and to use or sell the asset; the ability to use the intangible asset or sell it; the manner in which the intangible asset will create future economic benefits; the existence of sufficient resources: technical, financial, and others, to complete the intangible asset and the ability to reliably measure the expense required for its development.

For information on the intangible assets amortized by the Company, see Note 14.

Note 2 - Significant Accounting Policies (cont'd)

L. Intangible assets (cont'd)

Research and development costs (cont'd)

The asset is measured at cost and presented net of accumulated amortization and net of accumulated impairment. Amortization of the asset begins when development has been completed and the asset is available for use. The asset is amortized over its useful life. An impairment test is performed once per year and throughout the development period.

When an internally generated intangible asset cannot be recognized, development costs are recognized in profit or loss when incurred. Development costs which were previously recognized as an expense are not recognized as an asset in subsequent periods.

Software programs

The Group's assets include computer systems which comprise hardware and software components. Software programs constituting an integral part of hardware that cannot function without the installed software are classified as fixed assets. However, standalone software licenses adding further functionality to hardware are classified as intangible assets.

The useful life of intangible assets is as follows:

	Years
Development costs	5-7
Computer software	3
Technology, customer relations and brands	7-14

M. Impairment of non-financial assets

The Company assesses the need for impairment of non-financial assets when, due to occurrences or changes in circumstances, there are indications that the carrying amount in the financial statements is non-recoverable. In cases where the carrying amount of non-financial assets exceeds their recoverable amount, the assets are amortized to their recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value-in-use. In estimating value-in-use, projected cash flows are discounted at a pre-tax discount rate that reflects the specific risks of each asset and the time value of money.

For an asset that does not generate cash flows independently, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs. Impairment losses are classified to profit or loss.

The following unique criteria are applied when testing the following specific assets for impairment:

Goodwill in respect of consolidated companies

The Company tests for impairment of goodwill once yearly as of December 31, or more frequently if occurrences or changes in circumstances indicate that impairment exists.

For information on impairment testing, see Note 14B.

Note 2 - Significant Accounting Policies (cont'd)

M. Impairment of non-financial assets (cont'd)

Development costs that were capitalized and not yet amortized on a systematic basis

The impairment test is performed once yearly as of December 31, or more frequently if occurrences or changes in circumstances indicate that impairment exists.

N. Financial instruments

1. Financial assets

1a) The Company measures debt instruments at amortized cost when:
The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
Subsequent to initial recognition, instruments in this group are measured according to their terms at amortized cost using the effective interest method, less a provision for impairment.

1b) Financial assets held for trading:
Financial assets that are held for trading (mainly derivatives and marketable securities) are measured at fair value through profit or loss.

2. Impairment of financial assets

On each reporting date, the Company reviews the loss provision in respect of financial debt instruments which are not measured at fair value through profit or loss.

The Company has financial assets with short credit periods, such as trade receivables, in which respect it may apply the expedient in IFRS 9; i.e., the Company measures the loss provision at an amount equal to the expected credit losses throughout the entire life of the instrument. The Company has elected to apply the expedient in respect of these financial assets.

3. Financial liabilities

A. Financial liabilities at amortized cost:
The Company has various financial liabilities towards banks and other financial institutions, which, at initial recognition, are presented in accordance with their terms at fair value less directly attributable transaction costs. In subsequent periods, these financial liabilities are measured at amortized cost, using the effective interest method.

B. Financial liabilities at fair value through profit or loss:
At initial recognition, the Company measures financial liabilities that are not measured at amortized cost (mainly derivatives) at fair value, and transaction costs are classified to profit or loss.
Subsequent to initial recognition, changes in fair value are recognized in profit or loss.

Note 2 - Significant Accounting Policies (cont'd)

O. Provisions

A provision in accordance with IAS 37 is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of economic resources will be required to settle the obligation and when it can be estimated reliably. When the Group expects all or part of the expense to be reimbursed to the Company, such as in an insurance contract, the reimbursement will be recognized as a separate asset, only on the date when receipt of the asset is in fact certain. The expense will be recognized in the statement of income after deducting the reimbursement.

Following are the types of provisions which were included in the financial statements:

Warranty
The Group recognizes a warranty provision in respect of the sale of its products. Initial recognition is based on past experience. The estimate of the warranty provision is reviewed each year. The warranty is limited to technical malfunctions defined by the Company, and does not include a warranty for damage caused by the customer.

Legal claims
A provision for claims is recognized when the Group has a present legal obligation or a constructive obligation as a result of a past event, when it is more likely than not that an outflow of economic resources will be required to settle the obligation and it can be estimated reliably.

P. Liabilities in respect of employee benefits

Post-employment benefits

Defined contribution plans
The Group has defined contribution plans in accordance with section 14 of the Severance Pay Law, under which the Group pays fixed contributions into a fund but has no legal or constructive obligation to make further payments, even if the fund does not have sufficient assets to pay all of the employees' entitlements to post-employment benefits in respect of their services during the current period and in prior periods. Most of the Company's employees are governed by section 14 of the Severance Pay Law.

Q. Share-based payment transactions

The Company's employees and service providers are entitled to benefits by way of equity-settled share-based payment. Some employees are entitled to benefits by way of cash-settled share-based payments, which are measured according to the increase in the value of the Company's shares.

Equity-settled transactions
The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments on the grant date. Fair value is determined using a generally accepted option pricing model.

Cash-settled transactions
The cost of cash-settled transactions is measured at fair value on the grant date, using a generally accepted option pricing model. Fair value is recognized as an expense over the vesting period, and a liability is simultaneously recognized. The liability is remeasured in each reporting period at fair value until its settlement, and changes in fair value are recognized in profit or loss.

Note 2 - Significant Accounting Policies (cont'd)

R. Changes in accounting policies – amendments to current accounting standards

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 was applied 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 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 was applied for annual 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.
Following application of the Amendment, the Company disclosed the gross deferred tax assets and liabilities related to lease transactions within the disclosure of the composition of deferred taxes in the Annual Consolidated Financial Statements of the Company.

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 was applied for annual periods beginning on January 1, 2023.
The Amendment had an effect on the disclosure of the Company's accounting policies, but had no effect on the measurement, recognition or presentation of any items in its Consolidated Financial Statements.

Note 3 - Key Judgments, Estimates and Assumptions in Preparing the Financial Statements

In the process of applying the significant accounting policies in the financial statements, the Group applied judgment and weighed considerations concerning the following subjects, which have a material impact on the amounts recognized in the financial statements:

A. Considerations

- Development costs
  Company management is required to apply judgment regarding satisfaction of the conditions for recognizing costs in respect of development projects as intangible assets. The review is performed according to the parameters specified in Note 2L above.
  The Company discounts costs in respect of development projects. The initial discounting date is based, inter alia, on management's judgment regarding the existence of technological and economic feasibility, generally when project development has reached a milestone that was defined by Company management. In determining the amount to be discounted, management makes estimates pertaining to the project's projected future cash flows, the discount rate, and the period during which benefits are expected to arise from the project.

B. Estimates and assumptions

In preparing the financial statements, management is required to make use of estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. In formulating accounting estimates, management draws on past experience, various facts, external factors and probability judgments, according to the circumstances. Changes in accounting estimates are recognized in the period when the change in estimate was made.

Presented below are the main assumptions which were made in the financial statements with respect to the uncertainty on the reporting date and critical estimates that were calculated by the Group, where a significant change in the estimates and assumptions would alter the value of assets and liabilities in the financial statements in the subsequent year:

- Goodwill impairment
  The Company tests for goodwill impairment at least once yearly. The test requires management to estimate future cash flows that are expected to be derived from the continuing use of the cash-generating unit (or group of cash-generating units) to which the goodwill was attributed. Management is also required to estimate the appropriate discount rate for those cash flows. Possible consequences on the financial statements are the recognition of an impairment loss in profit or loss in the period when it was incurred.

- Deferred tax assets
  Deferred tax assets are recognized in respect of carryforward tax losses and in respect of unused deductible temporary differences, if taxable income is expected in the future against which they can be used. An estimate by management is required to determine the amount of the deferred tax asset which can be recognized based on the timing, the amount of expected taxable income, its source, and the tax planning strategy. Based on changes in these assumptions, the Company will create or derecognize a deferred tax asset.

- Inventory impairment
  The Group assesses inventory impairment on a half-yearly basis based on past experience, old inventory balances and an assessment of future consumption forecasts.

Note 4 - Disclosure of New International Financial Reporting Standards (IFRS) During the Period Preceding Their Adoption

Amendment to IAS 1, Presentation of Financial Statements

In January 2020, the IASB issued an amendment to IAS 1 regarding requirements for the classification of liabilities as current or non-current (hereinafter – the Original Amendment). In October 2022, the IASB issued a subsequent amendment to the Original Amendment (hereinafter – the Subsequent Amendment).

The Subsequent Amendment determines that:

- Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current;
- For liabilities subject to covenants which an entity is required to comply with within twelve months of the reporting date, the entity shall disclose information in the notes that enables users of financial statements to understand the risks inherent in that liability. In other words, the Subsequent Amendment determines the necessity to disclose the carrying amount of the liability, information about the covenants, and facts and circumstances as of the end of the reporting period that could lead to the conclusion that the entity may have difficulty complying with the covenants.

The Original Amendment determined that the conversion option for a liability will affect the classification of the entire liability as current or non-current, other than in cases where the conversion component is an equity instrument.
The Original Amendment and the Subsequent Amendment are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. The Amendments will be adopted retrospectively.

The Amendment is not expected to have a material effect on the Consolidated Financial Statements of the Company.

Note 5 - Business Combinations

On July 28, 2022, the Company entered into an agreement with ECCXI Holdco, Inc. (hereinafter: the "Seller") and with Michael Hoffman and Christopher Hoffman, controlling shareholders of the Seller, for the acquisition of 70% of the share capital of ECCXI, LLC and the rights therein (hereinafter: "ECCXI"). ECCXI is an American corporation which mainly holds Backyard Pool Superstore LLC, a private company that specializes in retail eCommerce in the swimming pool business, as well as three other corporations (hereinafter: the "Group"). The business combination date was determined as July 28, 2022.

The consideration was set at USD 16 million plus working capital adjustments in accordance with the sale agreement as of the acquisition date. USD 11.6 million were paid at the closing (the business combination date), and the outstanding amount of approximately USD 7.2 million was paid one year after the closing. In addition to the consideration, the subsidiary MTUS undertook to pay a contingent consideration of USD 3.7 million (based on its fair value on the acquisition date) if the Group's results in 2022-2023 exceed the agreed scope. The contingent consideration will be paid (if the conditions for the payment thereof are satisfied) two years after the closing date.

The Group has chosen to measure the non-controlling interests in the acquiree according to its proportionate interest in the fair value of the acquiree's net identifiable assets.

Note 5 - Business Combinations (cont'd)

Fair value of ECCXI's identifiable assets and liabilities at the acquisition date:

	Fair value
	NIS thousands
Cash and cash equivalents	42,924
Trade receivables, net	5,701
Other accounts receivable	15,987
Inventory	90,422
Fixed assets	769
Right-of-use assets	6,896
Intangible assets	47,705
Trade payables	(144,194)
Income tax payable	(343)
Lease liabilities	(7,000)
Net identifiable assets	58,867
Non-controlling interests	(17,659)
Goodwill arising on acquisition	36,229
Total cost of acquisition	77,437

The total cost of the business combination was NIS 77,437 thousand and included a cash payment of NIS 39,895 thousand. The deferred liability of NIS 24,751 thousand was paid by a promissory note and settled on July 28, 2023. Deferred payments were discounted at an annual interest rate of 4.63%.

Direct acquisition costs attributed to the transaction at an amount of NIS 2,784 thousand were classified as an expense and recorded under G&A expenses.

Cost of acquisition	NIS thousands
Cash paid	39,895
Deferred liability	24,751
Contingent consideration	12,791
Total cost of acquisition	77,437

Cash provided by the acquisition	NIS thousands
Cash and cash equivalents in acquiree on the acquisition date	42,924
Cash paid in consideration for the acquisition	(39,895)
Net cash	3,029

From the acquisition date through to the date of the statement of financial position, ECCXI has contributed a net profit of NIS 19,346 thousand to consolidated net profit, and NIS 454,317 thousand to consolidated revenue.

Goodwill arising on acquisition is attributed to the future benefits arising from the synergy inherent in the integration of the Company's and the acquiree's businesses.

Note 5 - Business Combinations (cont'd)

ECCXI's acquisition agreement includes an agreement that the prior owners will be entitled to an additional consideration upon the satisfaction of certain conditions (hereinafter: "Contingent Consideration"). The Contingent Consideration to be paid by the Group to the prior owners is as follows:

If the ECCXI's average EBITDA in the years 2022 and 2023 is at least USD 8 million, an additional payment shall be made according to a formula agreed by the parties.

As of the date of the statement of financial position, the fair value of the Contingent Consideration to be paid to the previous owners is estimated at NIS 11,548 thousand.

Note 6 - Cash and Cash Equivalents

	December 31	
	2023	2022
	NIS thousands	
Cash and deposits available for immediate withdrawal	130,044	120,891

Note 7 - Short Term Investments

	December 31	
	2023	2022
	NIS thousands	
Marketable securities held for trading		
Shares	894	933
ETFs and participation units in mutual funds	1,816	1,481
Government bonds and loans	16,010	15,203
	18,720	17,617

Note 8 - Trade Receivables, Net

	December 31	
	2023	2022
	NIS thousands	
Accounts payable (1)	230,252	182,824
Checks receivable	5,093	5,268
Trade receivables	235,345	188,092
Less – provision for doubtful debts	(1,202)	(588)
Trade receivables, net	234,143	187,504

(1) Trade receivables do not bear interest. The average number of customer days in 2023 was 68.

Impairment of trade receivables is accounted for by recording a provision for doubtful debts.

Note 8 - Trade Receivables, Net (cont'd)

Presented below are the changes in the provision for doubtful debts:

	NIS thousands
Balance as of January 1, 2022	382
Provision during the year	215
Recognition of bad debts	-
Reversal in respect of doubtful debts collected	(137)
Adjustments arising from translation of financial statements of foreign operations	128
Balance as of December 31, 2022	588
Provision during the year	677
Recognition of bad debts	-
Reversal in respect of doubtful debts collected	(83)
Adjustments arising from translation of financial statements of foreign operations	20
Balance as of December 31, 2023	1,202

Presented below is an analysis of the balance of trade receivables for which impairment (a provision for doubtful debts) was not recognized, net trade receivables, according to the period of arrears in collection in relation to the reporting date:

	Trade receivables not yet fallen due (no arrears in collection)	Past-due trade receivables				
		Up to 30 days	30-60 days	60-90 days	Over 90 days	Total
	NIS thousands					
December 31, 2023	190,280	27,563	8,112	1,547	6,641	234,143
December 31, 2022	125,019	25,256	24,354	3,005	9,870	187,504

As of December 31, 2023, the entire remaining balance of the provision for doubtful debts is attributable to the balance of trade receivables which are over 90 days past due.

Note 9 - Other Accounts Receivable

	December 31, 2023	December 31, 2022
	NIS thousands	
Government institutions	15,374	40,058
Employees	383	359
Taxes receivable	11,503	5,959
Hedging transactions	7,435	-
Advance payments to suppliers	15,552	6,075
Grant receivable	10,000	-
Prepaid expenses and other receivables	22,313	11,844
	82,530	64,295

Note 10 - Inventory

	December 31, 2023	December 31, 2022
	NIS thousands	
Raw and auxiliary materials	269,887	263,345
Goods in process	93,185	96,778
Finished goods	608,752	655,975
	971,824	1,016,098

Includes a provision for slow-moving and obsolete inventory at an amount of NIS 13,365 thousand (in 2022 – NIS 11,176 thousand).

Note 11 - Long-Term Deposits

Including deposits related to buildings and bank deposits in France at an amount of NIS 140 thousand for a period of 1-3 years, which do not bear interest and which serve as collateral for the consolidated company’s business in France.

Note 12 - Fixed Assets, Net

A. Composition and changes

2023	Leasehold improvements (1)	Machines, equipment and molds	Furniture and office equipment	Vehicles	Total
	NIS thousands				
Cost					
Balance as of January 1, 2023	127,727	210,393	38,217	3,653	379,990
Additions during the year - purchases	37,852	20,766	5,187	788	64,593
Adjustments arising from translation of financial statements of foreign operations	513	1,196	466	108	2,283
Derecognition during the year - disposals	(173)	(3)	(952)	(382)	(1,510)
Less – investment grant	(1,235)	(2,358)	(141)	-	(3,734)
Balance as of December 31, 2023	164,684	229,994	42,777	4,167	441,622
Accumulated depreciation					
Balance as of January 1, 2023	33,415	121,246	22,855	2,162	179,678
Additions during the year - depreciation	9,444	19,734	5,214	576	34,968
Adjustments arising from translation of financial statements of foreign operations	335	702	283	54	1,374
Derecognition during the year - disposals	(42)	(3)	(860)	(312)	(1,217)
Less - investment grant	(507)	(2,095)	(143)	-	(2,745)
Balance as of December 31, 2023	42,645	139,584	27,349	2,480	212,058
Depreciated cost as of December 31, 2023	122,039	90,410	15,428	1,687	229,564

(1) Improvements were partially in Israel, on leased land belonging to Kibbutz Yizre'el (see Note 31G).

Note 12 - Fixed Assets, Net (cont'd)

A. Composition and changes (cont'd)

2022	Leasehold improvements (1)	Machines, equipment and molds	Furniture and office equipment	Vehicles	Total
	NIS thousands				
Cost					
Balance as of January 1, 2022	101,167	170,385	28,572	3,106	303,230
Additions during the year - purchases	26,011	39,427	8,430	727	74,595
First-time consolidated company	-	-	769	-	769
Adjustments arising from translation of financial statements of foreign operations	549	1,166	728	163	2,606
Derecognition during the year - disposals	-	(585)	(282)	(343)	(1,210)
Balance as of December 31, 2022	127,727	210,393	38,217	3,653	379,990
Accumulated depreciation					
Balance as of January 1, 2022	26,712	105,563	17,777	1,870	151,922
Additions during the year - depreciation	6,442	15,208	4,820	538	27,008
Adjustments arising from translation of financial statements of foreign operations	322	651	435	62	1,470
Derecognition during the year - disposals	-	(130)	(177)	(308)	(615)
Less - investment grant	(61)	(46)	-	-	(107)
Balance as of December 31, 2022	33,415	121,246	22,855	2,162	179,678
Depreciated cost as of December 31, 2022	94,312	89,147	15,362	1,491	200,312

(1) Improvements were partially in Israel, on leased land belonging to Kibbutz Yizre'el (see Note 31G).

B. For details regarding charges, See Note 26.

Note 13 - Leases

The Company has lease agreements that include leases of buildings, vehicles, computers and peripheral equipment, which serve both for the Company's operating activities, and for subleasing and collecting rent from tenants. Lease agreements in respect of the buildings are in effect for periods ranging between 2 and 15 years, whereas lease agreements in respect of computers, peripheral equipment and vehicles are for periods ranging between 2 and 5 years. Some of the lease agreements in which the Company has engaged include options to extend and/or cancel.

Note 13 - Leases (cont'd)

1. Information regarding lease transactions

	For the year ended December 31		
	2023	2022	2021
	NIS thousands		
Interest expenses in respect of lease liabilities	6,384	4,265	3,159
Expenses in respect of short-term leases	622	187	259
Total cash outflows in respect of leases	(35,827)	(27,568)	(22,351)

2. Extension and cancellation options

The Company has lease agreements which include both extension options and cancellation options. These options allow the Company flexibility in managing the lease transactions, and alignment with the Company's business needs.
The Company exercises significant judgment when evaluating whether the extension and cancellation options are reasonably certain to be exercised.
In lease agreements in which the Company usually exercises the extension options available under the agreements, the Company also included the exercise of these extension options in the lease term, since if an alternative property is not immediately available at the end of the non-cancellable lease period, the Company's operating activities will suffer substantial harm.
The Company did not include the exercise of extension options in the lease term in cases where it does not consider it reasonably certain that it will exercise said options.
Additionally, in lease agreements for vehicles, the Company did not include the exercise of extension options in the lease term, since it is not the Company's practice to exercise such options.
Furthermore, lease periods under the lease cancellation option were included as part of the lease term when it is reasonably certain that such options will not be exercised.

Presented below are details regarding future lease payments attributed to periods under extension options, which were not taken into account as part of the Company's lease liabilities:

As of December 31, 2023:	Up to 5 years	More than 5 years
	NIS thousands	
Lease payments applying in periods under extension options which, as of the date of the financial statements, the Company is not reasonably certain will be exercised	4,793	3,990

As of December 31, 2022:	Up to 5 years	More than 5 years
	NIS thousands	
Lease payments applying in periods under extension options which, as of the date of the financial statements, the Company is not reasonably certain will be exercised	3,645	4,681

Note 13 - Leases (cont'd)

3. Disclosures regarding right-of-use assets

2023	Land	Vehicles	Computers and peripheral equipment	Total
	NIS thousands			
Cost				
Balance as of January 1, 2023	176,582	30,273	1,033	207,888
Additions in respect of new leases	23,496	12,028	655	36,179
Adjustments for the CPI	3,520	411	-	3,931
Adjustments arising from translation of financial statements of foreign operations	1,769	258	70	2,097
Derecognition during the year in respect of discontinued leases	(2,005)	(9,733)	(301)	(12,039)
Balance as of December 31, 2023	203,362	33,237	1,457	238,056
Accumulated depreciation				
Balance as of January 1, 2023	48,617	14,235	641	63,493
Depreciation	20,339	10,818	294	31,451
Adjustments arising from translation of financial statements of foreign operations	643	136	32	811
Derecognition during the year in respect of discontinued leases	(1,231)	(8,655)	(174)	(10,060)
Balance as of December 31, 2023	68,368	16,534	793	85,695
Depreciated cost as of December 31, 2023	134,994	16,703	664	152,361

Note 13 - Leases (cont'd)

3. Disclosures regarding right-of-use assets (cont'd)

2022	Land	Vehicles	Computers and peripheral equipment	Total
	NIS thousands			
Cost				
Balance as of January 1, 2022	127,931	22,919	948	151,798
Additions in respect of new leases	36,889	13,062	95	50,046
Adjustments for the CPI	3,990	642	-	4,632
First-time consolidated company	6,842	54	-	6,896
Adjustments arising from translation of financial statements of foreign operations	2,255	371	68	2,694
Derecognition during the year in respect of discontinued leases	(1,325)	(6,775)	(78)	(8,178)
Balance as of December 31, 2022	176,582	30,273	1,033	207,888
Accumulated depreciation				
Balance as of January 1, 2022	32,084	10,409	497	42,990
Depreciation	16,711	9,206	182	26,099
Adjustments arising from translation of financial statements of foreign operations	845	171	40	1,056
Derecognition during the year in respect of discontinued leases	(1,023)	(5,551)	(78)	(6,652)
Balance as of December 31, 2022	48,617	14,235	641	63,493
Depreciated cost as of December 31, 2022	127,965	16,038	392	144,395

Note 14 - Intangible Assets, Net

A. Composition

	Customer relations	Brands	Tech-nology	Supplier relations	Computer software	Develop-ment costs	Good-will	Total
	NIS thousands							
Cost								
Balance as of January 1, 2022	5,678	8,385	4,705	-	22,481	177,510	26,217	244,976
Additions - internally generated	-	-	-	-	-	44,248	-	44,248
Additions - purchased separately	-	-	-	-	14,818	477	1,291	16,586
First-time consolidated company	26,619	1,236	-	19,850	-	-	36,229	83,934
Disposals	-	-	-	-	-	-	-	-
Adjustments arising from translation of financial statements of foreign operations	1,043	586	274	497	321	699	2,643	6,063
Balance as of December 31, 2022	33,340	10,207	4,979	20,347	37,620	222,934	66,380	395,807
Additions - internally generated	-	-	-	-	-	31,276	-	31,276
Additions - purchased separately	-	-	-	-	17,450	199	382	18,031
Disposals	-	-	-	-	-	-	-	-
Adjustments arising from translation of financial statements of foreign operations	1,254	655	173	624	301	818	3,115	6,940
Balance as of December 31, 2023	34,594	10,862	5,152	20,971	55,371	255,227	69,877	452,054

	Customer relations	Brands	Tech-nology	Supplier relations	Computer software	Develop-ment costs	Good-will	Total
	NIS thousands							
Accumulated amortization								
Balance as of January 1, 2022	1,224	1,738	1,031	-	10,222	66,286	-	80,501
Amortization recognized during the year	2,055	1,229	607	1,658	3,309	7,820	-	16,678
Disposals	-	-	-	-	-	-	-	-
Adjustments arising from translation of financial statements of foreign operations	162	185	78	33	232	485	-	1,175
Balance as of December 31, 2022	3,441	3,152	1,716	1,691	13,763	74,591	-	98,354
Amortization recognized during the year	4,095	1,497	637	4,263	4,580	9,680	-	24,752
Impairment	-	-	-	-	-	10,600		10,600
Disposals	-	-	-	-	-	-	-	-
Adjustments arising from translation of financial statements of foreign operations	142	217	61	(17)	234	540	-	1,177
Balance as of December 31, 2023	7,678	4,866	2,414	5,937	18,577	95,411	-	134,883
Net balance								
As of December 31, 2023	26,916	5,996	2,738	15,034	36,794	159,816	69,877	317,171
As of December 31, 2022	29,899	7,055	3,263	18,656	23,857	148,343	66,380	297,453

Note 14 - Intangible Assets, Net (cont'd)

B. Methodology for testing impairment of intangible assets in 2023

1. Goodwill and other intangible assets associated with the acquisition of ECCXI

Goodwill associated with the acquisition of ECCXI amounts to NIS 38,276 thousand, and other intangible assets associated with the acquisition amount to NIS 39,734 thousand.

ECCXI's recoverable amount was determined based on value in use, calculated according to the estimated future cash flows expected to be derived, which were determined based on ECCXI's budget for 2024 and which was approved by Company management, as well as the outlook for 2025-2027. The discount rate applied is 17.14%. Projected cash flows for a period of more than four years ahead will be estimated using a fixed growth rate of 1.5%, which reflects expectations for inflation and output growth in the long term.

With respect to the assumptions used to determine ECCXI's value in use, management is of the opinion that there are no possible changes that could occur in the key assumptions described above that could cause the outstanding balance on the unit's financial statements to significantly exceed its recoverable amount.

2. Goodwill and other intangible assets associated with the acquisition of BF

Goodwill associated with the acquisition of BF amounts to NIS 29,878 thousand, and other intangible assets associated with the acquisition amount to NIS 6,940 thousand.

BF's recoverable amount was determined based on value in use, calculated according to the estimated future cash flows expected to be derived, which were determined based on BF's budget for 2024 and which was approved by Company management, as well as the outlook for 2025-2027. The discount rate applied is 11.6%. Projected cash flows for a period of more than five years ahead will be estimated using a fixed growth rate of 1.0%, which reflects expectations for inflation and output growth in the long term.

With respect to the assumptions used to determine BF's value in use, management is of the opinion that there are no possible changes that could occur in the key assumptions described above that could cause the outstanding balance on the unit's financial statements to significantly exceed its recoverable amount.

3. Development costs

In 2023, following a decision to discontinue to the development of a specific asset in the cash-generating unit in the pool water monitoring, control and treatment segment, amortization of the asset was recorded at an amount of NIS 10.6 million. The impairment loss on the asset in the cash-generating unit was classified under other expenses in the reporting period (see Note 27F).

The recoverable amount of the development project in the pool water monitoring, control and treatment segment (after the impairment loss was recorded) was determined based on value in use, calculated according to the estimated future cash flows expected. The discount rate applied is 14.5%. Projected cash flows beyond the period covered by the forecast were estimated using a fixed growth rate of 1.5%, which reflects expectations for inflation and output growth in the long term.

Note 14 - Intangible Assets, Net (cont'd)

B. Methodology for testing impairment of intangible assets in 2023 (cont'd)

3. Development costs (cont'd)

With respect to the assumptions used to determine the project's value in use (after the impairment loss was recorded on the asset in the cash-generating unit), management is of the opinion that there are no possible changes that could occur in the key assumptions described above that could cause the outstanding balance on the unit's financial statements to significantly exceed its recoverable amount.

C. Amortization expenses

Expenses in respect of the amortization of intangible assets are classified under profit or loss, as follows:

	For the year ended December 31		
	2023	2022	2021
	NIS thousands		
Cost of sales	15,128	10,813	9,922
Selling and marketing expenses	5,385	3,089	1,913
General and administrative expenses	4,239	2,776	2,332
	24,752	16,678	14,167

Note 15 - Credit from Banking Corporations

	In or linked to foreign currency	Unlinked	Total
	NIS thousands		
December 31, 2023			
Short-term bank credit	331,343	246,559	577,902
Current maturities of long-term loans	7,251	59,549	66,800
	338,594	306,108	644,702
December 31, 2022			
Short-term bank credit	147,096	264,889	411,985
Current maturities of long-term loans	7,035	58,402	65,437
	154,131	323,291	477,422

Note 15 - Credit from Banking Corporations (cont'd)

As of December 31, 2023, short-term NIS loans amounting to NIS 246 million bear interest at the prime rate plus a margin of -0.25% to +0.7%, and short-term USD loans amounting to NIS 328 million bear interest at the SOFR rate plus a margin of 1.6%-2.18%.

Long-term NIS loans amounting to NIS 83 million bear interest at the prime rate plus a margin of 0.58% to 0.92%. Long-term NIS loans amounting to NIS 146 million bear fixed interest at an average rate of 4.3%. Long-term USD loans amounting to NIS 32 million bear fixed interest of 2.17%-4.1%.

As of December 31, 2023, the Group has a total of NIS 282 million in unused lines of credit.

The Company is subject to several covenants related to short-term credit taken in the consolidated company in the US (the covenants are calculated based exclusively on the financial statements of the consolidated company). The covenants include a requirement to maintain a specified debt-to-EBITDA ratio, tangible assets ratio and minimum net profit. As of the date of the statement of financial position, the consolidated company in the US is compliant with all covenants.

Note 16 - Trade Payables

	December 31	
	2023	2022
	NIS thousands	
Accounts payable	181,435	239,552
Notes payable	1,270	542
	182,705	240,094

Trade payables do not bear interest. The average number of supplier days in 2023 was 76 days.

Note 17 - Other Accounts Payable

	December 31	
	2023	2022
	NIS thousands	
Employees and payroll accruals	35,948	40,600
Hedging transactions	-	23,115
Advance payments from customers and deferred revenue	2,996	3,855
Institutions	2,036	2,291
Purchasing organizations	14,128	4,145
Controlling shareholder (1)	1,086	3,569
Accrued expenses	66,170	83,863
	122,364	161,438

(1) See Note 31.

Note 18 - Loans from Banking Corporations

	December 31	
	2023	2022
	NIS thousands	
Loans from banking corporations (1), (2), (3), (4)	190,409	248,157

(1) In May 2017 the subsidiary in France took out a five-year loan of EUR 2 million from a banking corporation, bearing 1.45% fixed interest, which was repaid in May 2022. In August 2018 the subsidiary in France took out an additional five-year loan of EUR 2 million from a banking corporation, bearing 1.5% fixed interest.
In April 2023, the subsidiary in France took out another loan of EUR 3 million from a banking corporation, for four years at 4.15% fixed interest.

(2) In March 2020 the Company took out two five-year loans of NIS 30 million and NIS 25 million from banking corporations, bearing annual interest at the prime rate plus 0.9% and 0.92%, respectively. In May 2020 the Company took out an additional five-year loan of NIS 25 million from a banking corporation, bearing annual interest at the prime rate plus 0.9%.

(3) In September 2020 the Company took out a five-year loan of USD 10 million from a banking corporation, bearing 2.17% fixed annual interest.

(4) In January 2022, the Company took out three five-years loans of NIS 20 million, NIS 30 million and NIS 30 million from banking corporations, bearing 2.0%, 1.8% and 1.7% fixed interest, respectively. In September 2022, in lieu of short-term credit, the Company took out two five-years loans of NIS 60 million and NIS 20 million from banking corporations, bearing annual interest at the prime rate plus 0.8% and the prime rate plus 0.6%, respectively. In September 2022, the Company also took out two eight-year loans of NIS 50 million and NIS 60 million from banking corporations, bearing 5.6% and 5.3% fixed annual interest, respectively.

Note 19 - Employee Benefits Liabilites, Net

Employee benefits include short-term benefits, post-employment benefits and other long-term benefits.

Post-employment benefits

Labor laws and the Severance Pay Law in Israel require the Company to pay severance to employees upon termination of employment or retirement, or to make regular contributions to defined contribution plans in accordance with section 14 of the Severance Pay Law, as described below. The Company's resulting obligation is accounted for as a post-employment benefit. The Company's liability in respect of employee benefits is calculated according to a valid employment agreement and is based on the employee's salary and the period of his employment which, in management's opinion, create the right to receive severance pay.

Post-employment benefits are generally financed by contributions which are classified as a defined contribution plan or a defined benefit plan, as described below:

Note 19 - Employee Benefits Liabilites, Net (cont'd)

Post-employment benefits (cont'd)

1. Defined contribution plans

Some severance payments are subject to the terms of section 14 of the Severance Pay Law, 1963, according to which the Group's fixed contributions to pension funds and/or insurance policies exempt it from any further obligation towards the employees for whom said amounts were contributed. These contributions, and contributions to provident funds, constitute defined contribution plans.

	For the year ended December 31		
	2023	2022	2021
	NIS thousands		
Expenses in respect of defined contribution plans	11,749	12,622	9,291

2. Defined benefit plans

The portion of severance payments which is not covered by contributions to defined contribution plans, as stated above, is accounted for by the Group as a defined benefit plan, under which a liability is recognized in respect of employee benefits, and the Group contributes amounts to central severance pay funds and appropriate insurance policies.

Note 20 - Taxes on Income

A. Tax laws applicable to the Group's member companies

The Income Tax Law (Inflationary Adjustments), 1985

According to the law, until the end of 2007 results for tax purposes in Israel were measured after adjustments for changes in the Consumer Price Index.

In February 2008 the Knesset passed an amendment to the Income Tax Law (Inflationary Adjustments), 1985, which limits the application of the Adjustments Law from 2008 and thereafter. Since 2008, results for tax purposes are measured at nominal values, excluding certain adjustments for changes in the CPI during the period until December 31, 2007. Adjustments pertaining to capital gains, such as disposal of real property (capital gains tax) and securities, continue to apply through to the date of disposal. The legislative amendment includes, inter alia, cancellation of the adjustment of the addition and deduction for inflation, and the additional deduction for depreciation (for depreciable assets which were acquired after tax year 2007), beginning in 2008.

The Encouragement of Capital Investments Law, 1959

According to the law, the Company is entitled to various tax benefits by virtue of the status of "Approved Enterprise" granted to some of its enterprises, as defined in said law. The main benefits under the law are the following:

Grants track

The Company is entitled to an investment grant in Development Zone A, which is eligible for investment grants at a rate of 20%.

Note 20 - Taxes on Income (cont'd)

A. Tax laws applicable to the Group's member companies (cont'd)

Accelerated depreciation
In respect of machines and equipment which are used by the Approved Enterprise, the Company is entitled to deduct accelerated depreciation in the first five years of the use of those assets, beginning from the first year of operation of each asset.

Conditions for the applicability of benefits
The foregoing benefits are conditional on satisfaction of the conditions prescribed in the law, in the regulations promulgated thereunder and in the letters of approval under which the investments in the Approved Enterprises were made, as stated above. Failure to satisfy the conditions may lead to the cancellation of all or some of the benefits and to the refund of the grant monies, plus interest. In management's estimate, the Company is compliant with said conditions.

Amendment to the Encouragement of Capital Investments Law, 1959 (Amendment 68)
In January 2011, the Economic Policy for the Years 2011 and 2012 Law (Legislative Amendments), 2011, was published, which prescribes, inter alia, amendments to the Encouragement of Capital Investments Law, 1959 (hereinafter: the "Law"). The amendment alters the benefit tracks in the Law, applying a uniform tax rate to all preferred income of the Company, which will be considered a preferred company that owns a "preferred enterprise". Beginning in the 2011 tax year, the Company elected to come under the applicability of this amendment, and since that tax year it has been subject to the amended tax rates, as specified below.

Amendment to the Encouragement of Capital Investments Law, 1959 (Amendment 73)
In December 2016 the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), 2016 was published, which includes Amendment 73 to the Encouragement of Capital Investments Law (hereinafter: the "Amendment"). The amendment prescribes that the tax rate which will apply commencing on January 1, 2017 and thereafter to a preferred enterprise located in Development Zone A will be 7.5% in lieu of 9% (the tax rate for preferred enterprises which are located outside of Development Zone A remains 16%).

The Company chose to transition to the preferred enterprise track beginning in tax year 2011, and submitted its final decision to the tax authorities. The deferred tax balances were updated on that date.

On November 17, 2021, the Company was informed that the Authority for Investments and Development of the Industry and Economy in the Ministry of Economy and Industry had decided to recognize Kibbutz Yizre'el Industrial Park as Development Zone A. In this context, the tax rate applying to the income of the Company's manufacturing site at Kibbutz Yizre'el was reduced from 16% to 7.5%.

Furthermore, in the third quarter of 2022, the Company was informed that the Authority for Investments and Development of the Industry and Economy in the Ministry of Economy and Industry had decided that the recognition of Yizre'el Industrial Park as Development Zone A would be applied retroactively, commencing in 2019.

Note 20 - Taxes on Income (cont'd)

A. Tax laws applicable to the Group's member companies (cont'd)

The Encouragement of Industry (Taxes) Law, 1969

The Company has the status of an "industrial company", as defined in this law. In accordance with this status and by virtue of regulations which were published, the Company is entitled to claim deduction of depreciation at increased rates in respect of equipment used in industrial activity, as determined in the regulations promulgated under the Adjustments Law. The Company is also entitled to amortization in respect of patents or the right to use a patent or knowledge that are used in the development or promotion of the enterprise, to deduct expenses in respect of an issuance of shares listed on the stock exchange, and to submit a consolidated report under certain conditions.

Amendment to the Encouragement of Capital Investments Law, 1959 (Amendment 74)

On November 15, 2021, the Economic Efficiency Law (Legislative Amendments for Attaining Budgetary Objectives for the 2021 and 2022 Budget Years), 2021 (hereinafter: the "Economic Efficiency Law") was published, which determined a temporary order pertaining to the relase of profits accumulated by companies until December 31, 2020, in years when said profits were exempt from corporate tax (hereinafter: "Trapped Earnings" or "Accumulated Income"), including a mechanism for reducing the claw-back corporate income tax (CIT) rate (hereinafter: "Temporary Orders").

In addition to the CIT claw-back mechanism, section 74 of Encouragement of Capital Investments Law was amended such that commencing on August 15, 2021, in each dividend distribution (including dividends under section 52B) by a company with Trapped Earnings, allocation of part of said distribution to the Trapped Earnings will be required.

According to the Temporary Orders, reduction of the CIT rate will apply to Trapped Earnings that are released (without the obligation to distribute those earnings) during a one-year period from the date on which the law was enacted. Reduction of the tax obligation in respect of the claw-back is contingent on the ratio of the released Trapped Earnings to total Trapped Earnings, and on the percentage of foreign investment in the years in which the profits were generated, such that the higher the percentage of Trapped Earnings released, the lower the tax in respect of the distribution. The minimum CIT rate is 6%. Furthermore, a company that has elected to pay reduced corporate tax will be obliged to make a "designated investment" in an industrial plant owned by the company under the requirements of the Economic Efficiency Law, within five years from the tax year in which said decision was made. The "designated investment" funds will be invested in the purchase of productive assets and/or in R&D in Israel and/or in the salaries of additional employees that are employed by the facility.

The tax consequence of the dividend of NIS 75 million declared on August 17, 2021, part of the source of which is the exempt earnings of an Approved Enterprise of the Company, is approximately NIS 4 million. This amount was recognized as current tax expenses against taxes payable in 2021.

On August 3, 2022, the Company submitted a request to the Income Tax Authority to release all of its trapped earnings at an amount of NIS 198.2 million, and paid the applicable tax of NIS 19.8 million. Consequently, the Company is required to make a dedicated investment of NIS 14.8 million in its industrial plant over the next five years. The Company completed the entire dedicated investment by the date of the statement of financial position.

Note 20 - Taxes on Income (cont'd)

B. Tax rates applicable to the Group's member companies

1. In December 2016 the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), 2016 was published, which includes a reduction of the CIT rate beginning on January 1, 2017 to 24% (in lieu of 25%), and beginning on January 1, 2018, to 23%.

   The corporate tax rate in Israel in 2023, 2022 and 2021 was 23%.

   A body of persons is subject to real capital gains tax according to the CIT rate which applies in the year of the sale.

   In August 2013, The Law for the Change of National Priorities (Legislation Amendments for Achieving Budget Goals for the Years 2013 and 2014), 2013 was published (the "Budget Law"). The law includes, inter alia, provisions in respect of the taxation of revaluation gains beginning on August 1, 2013; however, the entry into effect of said provisions in respect of revaluation gains is conditional upon the publication of regulations defining "retained earnings that are not subject to corporate tax", and regulations which will prescribe provisions to prevent double taxation, which may apply to assets outside of Israel. As of the date of approval of these financial statements, the foregoing regulations have not yet been published.

2. The main tax rates which apply to the consolidated companies incorporated outside of Israel are:

   A company incorporated in the United States - weighted tax rate of approximately 25% (federal tax at a rate of 21%, and the company's applicable state tax and local tax).

   A company incorporated in France - the corporate tax rate in 2021 was 26.5%, and in 2022 and thereafter - 25%. A body of persons is subject to real capital gains tax according to the CIT rate which applies in the year of the sale.

   A company incorporated in Australia - tax rate of 30%.

   A company incorporated in Germany - tax rate of 30%.

   A company incorporated in Spain – tax rate of 25%.

C. Final tax assessments

Final tax assessments have been issued for the Company up to and including the 2021 tax year. Tax assessments which are considered final have been issued for MTFR up to and including the 2020 tax year. Tax assessments which are considered final have been issued for MTUS up to and including the 2019 tax year. A tax assessment which is considered final was issued for MTAU for the 2017 tax year. A tax assessment which is considered final was issued for BF for the 2017 tax year. No tax assessments that are considered final have yet been issued for MTSP.

Note 20 - Taxes on Income (cont'd)

D. Deferred taxes

Composition and changes:

	Statements of financial position	
	December 31	
	2023	2022
	NIS thousands	
Deferred tax assets (liabilities)		
Fixed assets	297	303
Right-of-use assets	(12,033)	(11,301)
Lease liabilities	12,858	11,847
Carryforward tax losses in subsidiary	7,762	9,803
Employee benefits	2,023	1,883
Intangible assets (including excess purchase price allocation)	(7,059)	(6,809)
Others (mainly in respect of intercompany inventory transactions)	36,045	34,070
	39,893	39,796

	Statement of comprehensive income (loss)		
	For the year ended December 31		
	2023	2022	2021
	NIS thousands		
Deferred tax income (expenses)			
Fixed assets and right-of use assets	318	41	(1,818)
Carryforward tax losses	(2,720)	(7,263)	3,422
Employee benefits	165	270	(488)
Others (mainly in respect of unrealized profit)	1,689	20,451	2,213
Total deferred tax income (expenses) on the statement of income	(548)	13,499	3,329
Remeasurement gain on defined benefit plans	(53)	(166)	(26)
Total deferred tax income (expenses) on the statement of comprehensive income	(601)	13,333	3,303

*) Due to the impact of exchange rates of foreign operations on deferred tax balances, in 2023 a net amount of NIS 698 thousand was carried to the translation reserve (2022 - NIS 1,064 thousand).

Note 20 - Taxes on Income (cont'd)

D. Deferred taxes (cont'd)

Deferred taxes are presented on the statement of financial position as follows:

	December 31 2023	December 31 2022
	NIS thousands	
Non-current assets	41,584	41,298
Non-current liabilities	1,691	1,502

E. Income tax expenses (income) included in the statement of income

	For the year ended December 31 2023	2022	2021
	NIS thousands		
Current taxes	28,111	43,303	44,909
Deferred taxes, see also D above	548	(13,499)	(3,329)
Taxes in respect of prior years	(325)	6,182	-
	28,334	35,986	41,580

Current taxes in Israel are calculated at a tax rate of 7.5% of taxable profit (2022 – 7.5%).

Note 20 - Taxes on Income (cont'd)

F. Theoretical tax

Presented below is the reconciliation of the tax amount which would have applied had all income and expenses, gains and losses in the statements of income and other comprehensive income been taxable at the statutory tax rate, with the amount of income taxes carried to profit or loss:

	For the year ended December 31		
	2023	2022	2021
	NIS thousands		
Income before income tax	191,893	263,735	281,834
Statutory tax rate	23%	23%	23%
Tax calculated according to the statutory tax rate:	44,135	60,659	64,822
Decrease in income tax due to the following factors:			
Tax benefit arising from preferred income tax rates under the Encouragement of Capital Investments Law	(12,160)	(33,652)	(22,715)
Non-deductible expenses for tax purposes and exempt earnings (including, inter alia, the cost of share-based payment)	481	588	1,125
Taxes arising from different tax rates in consolidated companies outside of Israel	919	(2,422)	(1,927)
Revision of deferred tax balances in respect of changes in tax rates	-	216	478
Revision of deferred tax balances in respect of carryforward tax losses (*)	-	3,954	(4,470)
Tax paid in respect of trapped earnings	-	15,649	4,178
Tax expenses in respect of prior years	(4,474)	(9,467)	-
Others	(567)	461	89
Taxes on income	28,334	35,986	41,580

In 2023, the average tax rate was 14.8%, and in 2022 and 2021, the average tax rate was 13.6% and 14.8%, respectively.

(*) The consolidated company in France has a carryforward tax loss of NIS 27 million.

Note 21 - Contingent Liabilities and Commitments

A. Contingent liabilities

As of December 31, 2023, the Company has no material contingent liabilities.

B. Commitments

1. Lease agreements in respect of buildings

a. For information on the lease agreement for buildings between the Group and the Kibbutz, see Note 31G.

b. In December 2105, an agreement was signed for the lease of buildings in which the additional production site in Dalton Industrial Park was built and is operated. Under this agreement, the production site covers a built-up area of around 4,000 square meters. The monthly rent is NIS 120 thousand, CPI-linked, and the rent will be increased by 10% once every 5 years. The lease term is 15 years, and after the end of a 5-year period and every two years until the end of the lease term, the Company will be entitled to terminate the lease provided that it has given written notice at least 6 months in advance.

In June 2020, an agreement was signed for the lease of two adjacent industrial buildings in Dalton Industrial Park, of a total built-up area of 6,000 square meters. The buildings serve as a raw material warehouse and a production hall. The monthly rent for each of the buildings is NIS 102 thousand and will be raised by 5% at the end of each 5 years. The lease term is 15 years, which began on October 1, 2020 for the raw material warehouse, and for the production hall, the lease term began on January 1, 2021, upon the completion of construction and delivery of the buildings. The Company has the right to terminate the agreement after 10 years.

In October 2021, an agreement was signed for the leasing of two additional adjacent industrial buildings in Dalton Industrial Park, of a total area of 5,529 square meters. The buildings will serve as a raw material warehouse and organizing space for operations. The monthly rent for both buildings will be NIS 199 thousand and will be raised by 5% after 10 years. The buildings were delivered to the Company in August 2022.

c. On December 20, 2016, the consolidated company in France signed a lease agreement for 800 square meters of office space and 4,100 square meters of warehouse space, in consideration of monthly rent of EUR 39 thousand. The term of the agreement is 9 years, beginning on January 1, 2017. The lease agreement permits full or partial termination of the engagement beginning in January 2019, with payment of agreed compensation of EUR 60 thousand to EUR 80 thousand, depending on the termination date and the size of the area.

In April 2015, the consolidated company in France signed a lease agreement for 300 square meters of office space. The monthly rent is EUR 9 thousand. The lease agreement is due to expire in March 2024.

In July 2016, the consolidated company in France signed a lease agreement for 110 square meters of office space. The monthly rent is EUR 1 thousand. The lease agreement is due to expire in July 2025.

Note 21 - Contingent Liabilities and Commitments (cont'd)

B. Commitments (cont'd)

1. Lease agreements in respect of buildings (cont'd)

c. (cont'd)

In October 2018, the consolidated company in France signed a lease agreement for 1,571 square meters of warehouse space. The monthly rent is EUR 16 thousand. The lease agreement will expire in October 2028, but includes an option to terminate the agreement in October 2024 or in October 2027, without payment of compensation, or alternatively, to terminate the agreement at any time, with payment of compensation at an amount of 6 months' rent.

d. In December 2017, the consolidated company in the United States signed a lease agreement for 4,000 square meters of office and warehouse space. The monthly rent is USD 29 thousand. The lease agreement is due to expire in April 2028. The consolidated Company in the US has other lease agreements in respect of ECCXI's business, for the leasing of office and warehouse space. The monthly rent is USD 67 thousand, and the agreements are due to expire in the years 2024-2027.

e. The Company in Australia has 6 lease agreements for office and warehouse space of a total area of 6,544 square meters. The total monthly rent is AUD 61 thousand, and the agreements are due to expire in the years 2024-2028.

f. The Company in Germany has a lease agreement for office and warehouse space of a total area of 8,250 square meters. The monthly rent is EUR 11.4 thousand. In December 2023 the agreement was renewed for another year and is due to expire in December 2024, but includes an early termination option subject to 6 months' advance notice.

g. The Company in Spain has a lease agreement for 120 square meters of office space. The monthly rent is EUR 2 thousand. The term of the agreement is until July 2024, but includes a one-year extension option.

2. The Group has lease agreements for 274 vehicles, for periods ending through to 2026. The total annual lease fees in respect of these vehicles are NIS 11,353 thousand.

Note 22 - Other Liabilities

Composition:

	December 31	
	2023	2022
	NIS thousands	
Options in respect of Kibbutz members - see Note 24G	219	359
Provisions - see Note 25	4,270	3,788
Other liabilities	2,297	1,639
	6,786	5,786

Note 23 - Equity

A. Composition of share capital

	December 31		
	2023 and 2022	2023	2022
	Authorized	Issued and outstanding	
	Number of shares in thousands		
Ordinary shares of NIS 0.1 par value each	120,000	109,791	109,514

B. Rights attached to shares

1. The rights granted to ordinary shareholders include the right to participate in general meetings, the right to receive profits, the right to participate in the distribution of the Company's assets on winding-up, and any other right attached to the shares.

2. The shares are listed on the Tel Aviv Stock Exchange.

C. Treasury shares - Company shares held by the Company

The interests of the Company in the Company's shares are as follows:

	December 31, 2022 and 2023
Shares	80,372
Rate of issued capital (%)	0.07
Cost (NIS thousands)	500

D. Capital reserve from transactions with controlling shareholder

Assets and liabilities in which respect a transaction was executed between the Company and its controlling shareholder, or between companies under common control, are recognized on the transaction date at fair value. The difference between fair value and the consideration which was determined in the transaction is carried to equity. A negative difference essentially constitutes a dividend, and therefore reduces retained earnings. A positive difference essentially constitutes an owner investment, and is therefore presented in a separate item under equity, "capital reserve in respect of transactions with controlling shareholder".

E. Dividends

1. On March 23, 2022, the Company distributed a dividend to shareholders at an amount of NIS 60 million, gross, and an amount of NIS 0.5492 per share.
2. On August 16, 2022, the Company distributed a dividend to shareholders at an amount of NIS 65 million, gross, and an amount of NIS 0.5946 per share.
3. On March 21, 2023, the Company distributed a dividend to shareholders at an amount of NIS 44 million, gross, and an amount of NIS 0.4015 per share.
4. On August 15, 2023, the Company distributed a dividend to shareholders at an amount of NIS 50 million, gross, and an amount of NIS 0.4558 per share.

Note 23 - Equity (cont'd)

F. Adjustments arising from translation of financial statements

The reserve is used to record changes in the exchange rates of foreign currencies, arising from the translation of the financial statements of subsidiaries which constitute foreign operations.

G. Capital management in the Company

The Company's objective in managing its capital is:
To preserve the Group's ability to ensure the continuity of its business, and thereby generate returns for its shareholders, investors and other interested parties.
The Company strives to achieve a return on equity at the customary level for the industry and field of activity in the markets where the Company is engaged. These returns are subject to changes in accordance with the market factors which apply in the Company's activity segment and business environment. The Company is not subject to any requirements regarding minimum required capital, or achieving a certain level of return on equity.

H. Bonus shares

On March 30, 2017, the Company's Board of Directors passed a resolution to distribute 5 million bonus shares of NIS 0.1 par value each, for the purpose of complying with the terms of the Investment Center's letter of approval. The distribution of bonus shares amounted to 4.87% of the issued and paid-up capital. The bonus shares were distributed on April 19, 2017.

Note 24 - Share-Based Payment Transactions

A. Expense recognized in the financial statements

The expense that was recognized in the financial statements in respect of services received from employees is presented in the following table:

	For the year ended December 31		
	2023	2022	2021
	NIS thousands		
Equity-settled share-based payment plans	13,708	11,311	8,327
Cash-settled share-based payment plans	189	(1,147)	3,323
Total expense recognized in respect of share-based payment transactions	13,897	10,164	11,650

B. On February 6, 2018, the Company's Remuneration Committee decided to adopt an employee stock ownership plan (ESOP) for the allotment of up to 4,000,000 warrants to the Company's employees and managers, which, after having been fully exercised for shares, will constitute approximately 3.7% of the Company's issued and paid-up share capital. The plan is based on a cashless exercise and is based on intrinsic value only, and accordingly, the actual number of shares is expected to less than that stated above.

On February 13, 2018, the Company's Board of Directors approved the grant of warrants to Company employees, as described below.

Note 24 - Share-Based Payment Transactions (cont'd)

C. Equity-settled share-based payment plan for the Company CEO and Company executives

On February 13, 2018, 2,682,000 warrants were allotted to Company managers who are not Kibbutz members. The grant to managers also included the allocation of 313,000 warrants to the-then Company CEO, Mr. Eyal Tryber. The exercise price of the warrants was set at NIS 18.47 per share.
The warrants will each be exercisable for one ordinary share of the Company of NIS 0.1 par value.
The warrants will vest in three annual tranches of 25% after one year, 25% after two years, and 50% after three years. All warrants will be exercised in a cashless exercise.
The intrinsic value of the warrants was calculated according to the principles determined in IFRS 2, using the calculation formula which is based on the binomial model, with an annual standard deviation of 24.2%, based on the share price on the grant date of NIS 17.38 per share, a risk-free interest rate of 1%, an early exercise factor of 220%/280%, and a forfeiture rate of 6.7%. The overall economic value of the fair value of the warrants allotted as of the grant date was set at NIS 11.1 million.

On March 20, 2019, 523,000 additional warrants were allotted to Company managers who are not Kibbutz members. The exercise price of the warrants was set at NIS 23.97 per share.
The warrants will each be exercisable for one ordinary share of the Company of NIS 0.1 par value.
The warrants will vest in three annual tranches of 25% after one year, 25% after two years, and 50% after three years. All warrants will be exercised in a cashless exercise.
The intrinsic value of the warrants was calculated according to the principles determined in IFRS 2, using the calculation formula which is based on the Black-Scholes model, with an annual standard deviation of 24.8%, based on the share price on the grant date of NIS 23.97 per share, and a risk-free interest rate of 1.2%. The overall economic value of the fair value of the warrants allotted as of the grant date was set at NIS 3 million.

On May 25, 2020, the Company's Board of Directors passed a resolution to grant another 833,000 warrants to Company managers and service providers. The warrants are convertible into ordinary shares of the Company of NIS 0.1 par value each. The exercise price of the warrants was set at NIS 29.75 per share. The vesting terms of the warrants are: 25% after one year, 25% after two years, and 50% after three years. All warrants will be exercised in a cashless exercise. The intrinsic value of the warrants was calculated according to the principles determined in IFRS 2, using the calculation formula which is based on the Black-Scholes model, with an annual standard deviation of 36.9%, based on the share price on the grant date of NIS 29.75 per share, and a risk-free interest rate of 0.5%. The overall economic value of the fair value of the warrants allotted as of the grant date was set at NIS 6 million.

On May 25, 2021, following approval by the Company's Remuneration Committee on May 23, 2021, the Board of Directors passed a resolution to publish an outline for the allotment of up to 1,134,299 warrants, convertible into 1,134,299 ordinary shares. On June 7, 2021, the Company published an outline in accordance with the foregoing.

Note 24 - Share-Based Payment Transactions (cont'd)

C. Equity-settled share-based payment plan for the Company CEO and Company executives (cont'd)

In addition, on May 25, 2021, the Board of Directors of the Company passed a resolution to grant 1,010,000 warrants to Company employees and managers, of which 1,000,000 warrants were actually granted. The warrants are convertible into ordinary shares of the Company of NIS 0.1 par value each, for an exercise price of NIS 66.89. The vesting terms of the warrants are 25% after one year, 25% after two years, 25% after three years and 25% after four years. All warrants will be exercised in a cashless exercise. The estimated fair value of the warrants granted on the date of the Board of Directors' approval was set at NIS 17.2 million. Following are the data used to measure the fair value of the warrants on the grant date, according to the Black-Scholes model, with respect to the above plan: share price – NIS 64.32; volatility – 38.5%; expected life of the warrants – 4 years; risk-free interest rate – 0.4067%; forfeiture rate – 9%.

On June 30, 2021, the Board of Directors of the Company passed a resolution to grant 85,000 warrants to Company managers and service providers. The warrants are convertible into ordinary shares of the Company of NIS 0.1 par value each, for an exercise price of NIS 67.61. The vesting terms of the warrants are 25% after one year, 25% after two years, 25% after three years and 25% after four years. All warrants will be exercised in a cashless exercise. The estimated fair value of the warrants granted on the date of the Board of Directors' approval was set at NIS 1.6 million. Following are the data used to measure the fair value of the warrants on the grant date, according to the Black-Scholes model, with respect to the above plan: share price – NIS 67.61; volatility – 38.7%; expected life of the warrants – 4 years; risk-free interest rate – 0.4584%; forfeiture rate – 9%.

On February 13, 2022, further to the approval and recommendation of the Remuneration Committee on February 6, 2022, the Board of Directors of the Company approved the expansion of the Company's ESOP, such that the Company may allot up to 3,190,000 additional (non-marketable) warrants, exercisable for up to 3,190,000 additional ordinary shares. The plan is based on a cashless exercise. On February 24, 2022, the Company published an outline in accordance with the foregoing.

On February 13, 2022, further to the approval of the Remuneration Committee on February 6, 2022 and subject to the approval of the General Meeting of the Company, the Board of Directors passed a resolution to grant 240,000 warrants to the Company CEO, Mr. Sharon Goldenberg. The allotment is in accordance with the Company's ESOP and based on 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, for an exercise price of NIS 74.02. The vesting conditions of the warrants are 25% after one year, 25% after two years, 25% after three years and 25% after four years. All warrants will be exercised in a cashless exercise. The estimated fair value of the warrants granted on the date of the Board of Directors' approval was set at approximately NIS 4 million. The following data were used to measure the fair value of the warrants on the grant date according to the Black-Scholes model, with respect to the above plan: share price – NIS 71.01; volatility – 34.6%; expected life of the warrants – 5 years; risk-free interest rate – 0.38%; forfeiture rate – 9%.

Note 24 - Share-Based Payment Transactions (cont'd)

C. Equity-settled share-based payment plan for the Company CEO and Company executives (cont'd)

On May 17, 2022, the Board of Directors of the Company passed a resolution to grant 817,500 warrants to Company employees and managers. The allotment is in accordance with the Company's ESOP and based on 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, for an exercise price of NIS 59.71. 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 granted on the date of the Board of Directors' approval was set at approximately NIS 10.3 million. The following data were used to measure the fair value of the warrants on the grant date according to the Black-Scholes model, with respect to the above plan: share price – NIS 53; volatility – 35.4%; expected life of the warrants – 4 years; risk-free interest rate – 1.84%; forfeiture rate – 9%.

On November 28, 2022, the Board of Directors of the Company passed a resolution to grant 85,000 warrants to a senior officer of the Company. The allotment is in accordance with the Company's ESOP and based on 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, for an exercise price of NIS 40.21. 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 granted on the date of the Board of Directors' approval was set at approximately NIS 951 thousand. The following data were used to measure the fair value of the warrants on the grant date according to the Black-Scholes model, with respect to the above plan: share price – NIS 38.03; volatility – 38.6%; expected life of the warrants – 4 years; risk-free interest rate – 3.24%; forfeiture rate – 10%.

On March 21, 2023, the Board of Directors of the Company passed a resolution to grant 110,000 warrants to a senior officer of the Company. The allotment is in accordance with the Company's ESOP and based on 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, for an exercise price 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 granted on the date of the Board of Directors' approval was set at approximately NIS 1,564 thousand. The following data were used to measure the fair value of the warrants on the grant date according to the Black-Scholes model, with respect to the above plan: share price – NIS 43.15; volatility – 40.2%; expected life of the warrants – 4 years; risk-free interest rate – 4.13%; forfeiture rate – 10%.

On May 16, 2023, the Company allotted 1,040,000 warrants convertible into ordinary shares of the Company of NIS 0.1 par value each to employees and managers in the Company (including the 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, for an exercise price 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 granted on the date of the Board of Directors' approval was set at approximately NIS 14.2 million. The following data were used to measure the fair value of the warrants on the grant date according to the Black-Scholes model, with respect to the above plan: share price – NIS 40.90; volatility – 41.2%; expected life of the warrants – 4 years; risk-free interest rate – 3.84%; forfeiture rate – 10%.

Note 24 - Share-Based Payment Transactions (cont'd)

D. Changes during the year

The following table presents the changes in the number of share options and their weighted average exercise prices:

	2023		2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		NIS		NIS
Share options at beginning of year	2,619,559	54.45	2,301,965	45.11
Share options granted during the year	1,215,000	41.10	1,017,500	63.09
Share options forfeited during the year	(148,625)	56.00	(324,500)	48.06
Share options exercised during the year	(581,560)	25.28	(375,406)	26.15
Share options at end of year	3,104,374	54.61	2,619,559	54.45
Share options exercisable at end of year	762,969	60.19	921,434	35.65

E. In the reporting period, employees, service providers and senior officers of the Company exercised 581,560 warrants for the purchase of ordinary shares of the Company, in a cashless exercise. 277,011 ordinary shares of the Company were issued to employees, service providers and officers of the Company as a result of the exercise.

F. Exercise prices for the warrants as of December 31, 2023 ranged from NIS 18.47 to NIS 74.02.

G. Cash-settled share-based payment transactions

1. On February 13, 2018, Kibbutz Yizre'el – Workers Cooperative Association Ltd. (hereinafter: the "Kibbutz"), the Company's controlling shareholder, was granted a monetary benefit which is equivalent to the warrants granted to the Company's senior employees – phantom warrants, in respect of the Kibbutz employees who serve in senior positions in the Company (hereinafter: "Executives on Behalf of the Kibbutz"). The monetary benefit is based on the theoretical allotment of 145,000 warrants, which grant a monetary right of equal value to the purchase of 145,000 ordinary shares of the Company.
The exercise price of each warrant is NIS 18.47, linked to the CPI. The warrants are exercisable in three annual tranches of 25% after one year, 25% after two years, and 50% after three years.

2. On March 20, 2019, the Kibbutz, which is the Company's controlling shareholder, was granted a monetary benefit which is equivalent to warrants granted to the Company's senior employees – phantom warrants, in respect of Executives on Behalf of the Kibbutz. The monetary benefit is based on the theoretical allotment of 45,000 warrants, which grant a monetary right of equal value to the purchase of 45,000 ordinary shares of the Company.
The exercise price of each warrant is NIS 23.97, linked to the CPI. The warrants are exercisable in three annual tranches of 25% after one year, 25% after two years, and 50% after three years.

Note 24 - Share-Based Payment Transactions (cont'd)

G. Cash-settled share-based payment transactions (cont'd)

3. On May 25, 2020, the Kibbutz, which is the Company's controlling shareholder, was granted a monetary benefit which is equivalent to which is equivalent to warrants granted to the Company's senior employees – phantom warrants, in respect of Executives on Behalf of the Kibbutz. The monetary benefit is based on the theoretical allotment of 40,000 warrants, which grant a monetary right of equal value to the purchase of 40,000 ordinary shares of the Company.
The exercise price of each warrant is NIS 29.75, linked to the CPI. The warrants are exercisable in three annual tranches of 25% after one year, 25% after two years, and 50% after three years.

4. On May 25, 2021, the Kibbutz, which is the Company's controlling shareholder, was granted a monetary benefit which is equivalent to warrants granted to the Company's senior employees – phantom warrants, in respect of Executives on Behalf of the Kibbutz. The monetary benefit is based on the theoretical allotment of 45,000 warrants, which grant a monetary right of equal value to the purchase of 45,000 ordinary shares of the Company.
The exercise price of each warrant is NIS 66.89, linked to the CPI. The warrants are exercisable in four annual tranches of 25% after one year, 25% after two years, 25% after three years and 25% after four years.

5. On May 17, 2022, the Kibbutz, which is the Company's controlling shareholder, was granted a monetary benefit which is equivalent to warrants granted to the Company's senior employees – phantom warrants, in respect of Executives on Behalf of the Kibbutz. The monetary benefit is based on the theoretical allotment of 45,000 options, which grant a monetary right of equal value to the purchase of 45,000 ordinary shares of the Company.
The exercise price of each warrant is NIS 59.71, linked to the CPI. The options are exercisable in four annual tranches of 25% after one year, 25% after two years, 25% after three years and 25% after four years.

6. On May 16, 2023, the Kibbutz, which is the Company's controlling shareholder, was granted a monetary benefit which is equivalent to warrants granted to the Company's senior employees – phantom warrants, in respect of Executives on Behalf of the Kibbutz. The monetary benefit is based on the theoretical allotment of 32,500 warrants, which grant a monetary right of equal value to the purchase of 32,500 ordinary shares of the Company.
The exercise price of each warrant is NIS 40.90, linked to the CPI. The warrants are exercisable in four annual tranches of 25% after one year, 25% after two years, 25% after three years and 25% after four years.

7. In 2020, the Kibbutz exercised 83,750 phantom warrants in consideration for NIS 2,695 thousand.

8. In 2021, the Kibbutz exercised 93,750 phantom warrants in consideration for NIS 3,905 thousand.

9. In 2022, the Kibbutz exercised 32,500 phantom warrants in consideration for NIS 920 thousand.

Note 24 - Share-Based Payment Transactions (cont'd)

10. In 2023, the Kibbutz exercised 20,000 phantom warrants in consideration for NIS 329 thousand.

11. The benefit component in the warrants granted was calculated at the end of each reporting period according to the principles defined in IFRS 2, using the calculation formula based on the Black-Scholes model.

Note 25 - Provisions

	Warranty provision	Legal claims	Total
	NIS thousands		
Balance as of January 1, 2023	23,584	375	23,959
Translation adjustments	631	(131)	500
Amounts paid	-	(439)	(439)
Amounts cancelled	(5,561)	-	(5,561)
Amounts classified	-	-	-
Provisions made in the year	2,526	195	2,721
Balance as of December 31, 2023	21,180	-	21,180

	December 31	
	2023	2022
	NIS thousands	
Presented on the statement of financial position under:		
Current liabilities	16,910	20,171
Non-current liabilities	4,270	3,788
	21,180	23,959

Provision for warranty

The provision was recognized for expected warranty claims in respect of products which were purchased in the last two years, based on the Company's past experience regarding repairs and returns. The Company expects that it will bear most of these costs in the coming year, and all of the costs within two years after the reporting date. The assumptions which were used to calculate the warranty provision were based on the Company's current sale levels, and on currently available information regarding returns, based on the two-year warranty which is given for all products sold.

Legal claims

See Note 21A.

Note 26 - Charges

To secure fulfillment of the conditions for approval of the investment plan granted to the Company pursuant to the Encouragement of Capital Investments Law, 1959, an unlimited floating charge was recorded in favor of the State of Israel in respect of all of the Company's machinery, equipment, tools, appliances and facilities.

Note 27 - Additional Information Regarding Items of Profit or Loss

		For the year ended December 31		
		2023	2022	2021
		NIS thousands		
A.	Sales revenue			
	In Israel	25,095	28,154	25,797
	Foreign countries	1,864,470	1,758,742	1,383,598
		1,889,565	1,786,896	1,409,395
B.	Cost of sales			
	Materials	787,207	1,143,411	658,551
	Employee services	7,579	8,695	7,451
	Wages, salaries and related expenses	140,805	170,474	128,627
	Leasing of buildings	3,706	3,599	1,960
	Maintenance and operation of equipment and machinery	27,287	33,375	25,184
	Depreciation and amortization	58,321	49,462	41,394
	Other manufacturing expenses	47,023	43,859	29,298
		1,071,928	1,452,875	892,465
	Decrease (increase) in inventory of goods in process and finished goods	27,712	(384,288)	(76,333)
		1,099,640	1,068,587	816,132
C.	Research and development expenses			
	Employee services	937	1,846	1,631
	Wages, salaries and related expenses	39,086	33,712	28,881
	Depreciation	2,932	2,317	2,102
	Materials	12,105	14,766	13,968
		55,060	52,641	46,582
D.	Selling and marketing expenses			
	Employee services	2,712	2,394	3,153
	Wages, salaries and related expenses	95,416	86,096	74,709
	Advertising and sales promotion	159,624	76,766	44,649
	Shipping costs	63,112	66,477	28,375
	Depreciation and amortization	11,698	6,355	4,522
		332,562	238,088	155,408

Note 27 - Additional Information Regarding Items of Profit or Loss (cont'd)

		For the year ended December 31		
		2023	2022	2021
		NIS thousands		
E.	General and administrative expenses			
	Management fees	2,118	2,303	2,303
	Employee services	2,783	2,489	3,822
	Wages, salaries and related expenses	65,561	62,865	52,533
	Legal and consulting fees	10,770	13,786	10,617
	Office expenses	27,011	22,431	17,812
	Bad and doubtful debts	793	335	184
	Depreciation and amortization	15,475	11,544	8,193
	Overseas travel	2,018	1,626	686
	Vehicles	1,747	1,400	810
	Entertainment, culture and wellbeing	3,771	3,587	5,736
	Others	12,292	12,553	10,857
		144,339	134,919	113,553
F.	Other income, net			
	Government grant	(10,000)	-	-
	Impairment of intangible asset	10,600	-	-
	Revaluation of contingent consideration	(2,070)	-	-
	Others	1,223		
		(247)	-	-
G.	Finance income			
	Foreign currency transactions	-	-	33,913
	Income in respect of exchange differences, net	32,695	15,263	-
	Interest income from short-term investments	331	302	354
	Interest income from bank deposits	140	124	117
		33,166	15,689	34,384
H.	Finance expenses			
	Finance expenses in respect of credit	49,495	16,487	4,424
	Expenses in respect of exchange differences, net	-	-	21,395
	Foreign currency transactions	42,134	21,645	-
	Finance expenses in respect of leases	6,384	4,265	3,159
	Fee expenses to banks and others	1,492	2,247	1,178
		99,505	44,644	30,156

Note 28 - Net Earnings per Share

Information regarding the number of shares and profit used to calculate net EPS

	For the year ended December 31					
	2023		2022		2021	
	Weighted number of shares	Net income attributable to equity holders of the Company	Weighted number of shares	Net income attributable to equity holders of the Company	Weighted number of shares	Net income attributable to equity holders of the Company
	Thousands	NIS thousands	Thousands	NIS thousands	Thousands	NIS thousands
Number of shares and profit used to calculate basic net EPS	109,637	148,249	109,317	218,296	109,027	224,012
Impact of dilutive potential ordinary shares	42	-	364	-	734	-
Number of shares and profit used to calculate diluted net EPS	109,679	148,249	109,681	218,296	109,761	224,012

Note 29 - Operating Segments

A. General

The operating segments were determined based on the information which is evaluated by the Chief Operating Decision Maker (CODM) for the purpose of decision making regarding resource allocation and performance assessment. Accordingly, for management purposes, the Group is structured according to operating segments, based on the products and services of the business units, and has the following three 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 Olympic size swimming pools.
Pool safety products and related pool products	-	In this segment, the Company manufactures and markets home pool alarms, drowning detection and prevention systems for private and public pools, and is engaged in the manufacture and marketing of covers for home swimming pools. Related products include supplementary products for swimming pools made by various manufacturers, such as solar heating systems, glass filtration media and water heaters.

Management monitors the operating results of its business units separately for decision making regarding resource allocation and performance assessment.
Segment performance is assessed based on gross profit. 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 on the Group level and are not attributed to operating segments.

Note 29 - Operating Segments (cont'd)

B. Report on operating segments

	Manufacture of private pool robotic cleaners	Manufacture of public pool robotic cleaners	Pool safety products and related pool products	Total
	NIS thousands			
For the year ended December 31, 2023				
Total revenues from externals	1,468,652	110,781	310,132	1,889,565
Total segmental income	625,240	61,592	103,093	789,925
Unallocated shared expenses				(531,714)
Other income, net				21
Finance expenses, net				(66,339)
Income before income tax				191,893

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

Note 29 - Operating Segments (cont'd)

B. Report on operating segments (cont'd)

	Manufacture of private pool robotic cleaners	Manufacture of public pool robotic cleaners	Pool safety products and related pool products	Total
	NIS thousands			
For the year ended December 31, 2021				
Total revenues from externals	1,192,105	76,534	140,756	1,409,395
Total segmental income	500,127	41,360	51,776	593,263
Unallocated shared expenses				(315,543)
Other expenses, net				(114)
Finance income, net				4,228
Income before income tax				281,834

C. Geographical information

1. Sales by geographical market (by customer location):

	For the year ended December 31		
	2023	2022	2021
	NIS thousands		
Europe	533,559	638,519	618,935
North America	1,108,255	900,258	574,105
Oceania	177,332	176,481	157,554
ROW	70,419	71,638	58,801
	1,889,565	1,786,896	1,409,395

2. Fixed assets (fixed assets, net; right-of-use assets, net; and intangible assets, net), according to their geographical location:

	December 31	
	2023	2022
	NIS thousands	
Israel	534,043	468,212
Europe	58,191	59,798
North America	91,038	99,479
Oceania	15,824	14,671
	699,096	642,160

Note 29 - Operating Segments (cont'd)

D. Major customers

	For the year ended December 31		
	2023	2022	2021
	NIS thousands		
Turnover from Customer A	487,690	493,427	397,419
	Percent of total sales		
Customer A	25.8%	27.6%	28.2%

Note 30 - Financial Instruments

A. Classification of financial assets and financial liabilities

	December 31	
	2023	2022
	NIS thousands	
Financial assets		
Cash and cash equivalents	130,044	120,891
Financial assets at fair value through profit or loss:		
Financial assets classified as held for trading	18,720	17,617
Total financial assets at fair value through profit or loss	18,720	17,617
Financial assets at amortized cost:		
Trade receivables	291,012	239,225
Financial liabilities		
Interest bearing loans and current credit:		
Short-term loan from bank and others	644,702	477,422
Total interest bearing loans and current credit	644,702	477,422
Financial liabilities at fair value through profit or loss:		
Other financial liabilities measured at amortized cost	463,682	552,264
Interest bearing loans and non-current credit:		
Loan from banking corporation	190,409	248,157

Note 30 - Financial Instruments (cont'd)

B. Management's goals and policies for the management of financial risks

The Company's main financial liabilities are comprised of loans and credit. These financial liabilities are mostly intended to finance the Company's operations and to provide guarantees to support its operations. The Company's main assets include other accounts receivable and cash, which directly arise from the Company's activity.
The Company is exposed to market risk and credit risk. The Company's senior management oversees the management of these risks. Risk management is performed in accordance with the policy approved by the Board of Directors. The Board of Directors prescribes principles for overall risk management, as well as specific policy regarding certain risk exposures, such as exchange rate risk, credit risk and the use of financial instruments and investments of liquidity reserves.

1. Market risk

Market risk is the risk that the fair value of future cash flows from a financial asset will change as a result of changes in market prices. Market risk includes three types of risk: interest rate risk, currency risk, and other price risks such as share price risk and commodity price risk. Financial instruments which are subject to market risk include, inter alia, loans, credit and deposits.

The sensitivity analysis presented in the section below refers specifically to positions as of December 31, 2023 and 2022.

The sensitivity analysis was conducted assuming that the amount of net debt, the variable-to-fixed-interest ratio in respesct of debt and derivatives, and the ratio of foreign currency instruments remain constant.
The sensitivity analysis does not include the impact of changes in market variables on the amortized cost of pensions and other post-employment benefits, provisions, and non-financial assets and liabilities of foreign operations.
The sensitivity analysis of the statement of financial position refers to derviatives and investments in debt instruments measured at fair value.

2. Foreign currency risk

The Group operates internationally and is exposed to exchange rate risk due to exposure to various currencies, primarily the EUR and the USD. Exchange rate risk arises from future commercial transactions, from assets and liabilities which have been recognized and are denominated in foreign currency that is not the functional currency, and from net investments in foreign operations. The Company's managers are responsible for managing the net position of each foreign currency using currency forward contracts.

As of December 31, 2023, the Company has an excess of financial liabilities over financial assets in USD against the NIS amounting to NIS 299,904 thousand (on December 31, 2022 - an excess of NIS 139,725 thousand).

As of December 31, 2023, the Company has an excess of financial assets over financial liabilities in AUD against the NIS amounting to NIS 42,772 thousand (on December 31, 2022 - NIS 37,349 thousand).

As of December 31, 2023, the Company has an excess of financial assets over financial liabilities in EUR against the NIS amounting to NIS 71,362 thousand (on December 31, 2022 - NIS 53,959 thousand).

The Company manages its foreign currency risk through hedging transactions, most of which will be realized within 12 months.

Note 30 - Financial Instruments (cont'd)

B. Management's goals and policies for the management of financial risks (cont'd)

2. Foreign currency risk (cont'd)

The Company hedges its exposure to volatility in the translation of its foreign operations into NIS by holding net loans in foreign currency and through currency forward and swap contracts.

On December 31, 2023 and 2022, the Company hedged 65% and 67% of its expected cash flow exposure in foreign currency, respectively. As of the reporting date, these transactions are highly probable.

Sensitivity analysis – foreign currency:
The following table presents sensitivity to reasonably possible changes in USD, AUD, and EUR exchange rates, with all other variables remaining constant. The effect on the Company's pre-tax profit is in respect of changes in the fair value of monetary assets and liabilities. The Company's exposure to changes in foreign currency in all other currencies is immaterial.

	December 31	
	2023	2022
	NIS thousands	
Sensitivity test to changes in the EUR exchange rate		
Other comprehensive income (loss) from the change		
Exchange rate increase of 10%	7,148	5,418
Exchange rate decrease of 10%	(7,148)	(5,418)

	December 31	
	2023	2022
	NIS thousands	
Sensitivity test to changes in the USD exchange rate		
Other comprehensive income (loss) from the change		
Exchange rate increase of 10%	(30,107)	(12,008)
Exchange rate decrease of 10%	30,107	12,008

	December 31	
	2023	2022
	NIS thousands	
Sensitivity test to changes in the AUD exchange rate		
Other comprehensive income (loss) from the change		
Exchange rate increase of 10%	4,303	3,705
Exchange rate decrease of 10%	(4,303)	(3,705)

Note 30 - Financial Instruments (cont'd)

B. Management's goals and policies for the management of financial risks (cont'd)

3. Interest rate risk

The Company's exposure to changes in market interest rates mainly applies to the Company's long-term liabilities at floating interest rates. The Company manages interest rate risk by maintaining a balanced portfolio of loans at floating interest rates and loans at fixed interest rates. When all other variables remain unchanged, the effect of a change of 0.25% in the interest rate on the Company's profit before tax is approximately NIS 207 thousand.

4. Share price risk

For the Company's investments in marketable financial instruments on the stock exchange, securities, stocks and bonds and financial assets measured at fair value through profit and loss, sensitivity to market price risk arises from uncertainties regarding the future value of these investments. The Company manages the price risk by diversifying its investment portfolio, and by limiting its investment in stocks in general.

As of the reporting date, the Group's exposure arising from investments in financial instruments measured at fair value amounts to NIS 18,720 thousand. A 10% increase or decrease in the prices of marketable securities on the stock exchange could result in an effect of approximately NIS 1,872 thousand on profit or loss.

5. Balance of trade receivables

The Company makes sales to its customers on credit terms of 0-120 days. The Company regularly insures the debts of most of its customers and routinely assesses the credit granted to unsecured customers, including an in-depth evaluation of their environmental financial conditions. Additionally, the Company occasionally requires collateral from its customers, such as letters of credit or prepayments. The Company makes a provision for doubtful debts based on factors which affect the credit risk of certain customers, past experience and other information.

The Company continuously monitors customer debts, and the financial statements include provisions for doubtful debts which the Company believes adequately reflect the losses inherent in doubtful debts.

6. Financial instruments and deposits

The Company hold cash and cash equivalents, short-term and long-term investments and other financial instruments in various financial institutions. These financial institutions are located in Israel and in the US, and it is the Company's policy to spread its investments between the different institutions. In accordance with the Company's policy, the relative credit stability of the various financial institutions is assessed on an ongoing basis. The deposits are deposited in the highest rated financial corporations in Israel.

Note 30 - Financial Instruments (cont'd)

C. Sensitivity tests and main working assumptions

The selected changes in the relevant risk variables were defined based on management's estimates regarding reasonably possible changes in these variables.

The Company performed sensitivity tests to the main market risk factors which could affect the reported operating results or financial position. The sensitivity tests present the profit or loss and/or changes in equity (before tax) for each financial instrument in respect of the relevant selected risk variable, as of each reporting date. The risk factors were assessed based on the materiality of the exposure of the operating results or financial position in respect of each risk factor, in reference to the functional currency and assuming that all other variables remain constant.

The risk for marketable investments with a quoted market price (trading price) is based on possible changes in said market prices.

Note 31 - Transactions and Balances with the Controlling Shareholder and Related Parties

A. Balances with interested parties and related parties

	For conditions, see Note	As of December 31	
		2023	2022
		NIS thousands	
		Interested parties and related parties	
Trade payables		-	44
Other accounts payable	31E-H	2,516	5,133
Current maturities of lease liabilities	31G	7,907	6,916
Lease liabilities	31G	46,383	30,315

B. Transactions with related parties and interested parties

	For the year ended December 31		
	2023	2022	2021
	NIS thousands		
Payroll and related expenses for employees of the Company or on its behalf (including share-based payment)	4,797	4,167	(*) 3,574
Fees for directors who are not employed by the Company or on its behalf	435	446	479

(*) Refers to the outgoing Company CEO and the incumbent CEO.

Note 31 - Transactions and Balances with the Controlling Shareholder and Related Parties (cont'd)

B. Transactions with related parties and interested parties (cont'd)

	For the year ended December 31		
	2023	2022	2021
	NIS thousands		
Management fees for directors on behalf of the controlling shareholder who are not employed by the Company or on its behalf (**)	2,118	2,303	2,303
Number of people to whom the salary and benefits apply			
Related parties and interested parties employed by the Company or on its behalf	1	1	(*) 2
Directors who are not employed by the Company	3	3	3
Directors on behalf of the controlling shareholder who are not employed by the Company or on its behalf	6	6	6
	10	10	11

(*) Refers to the outgoing Company CEO and the incumbent CEO.
On November 26, 2021, Mr. Eyal Tryber concluded his term of office as Company CEO. On the same date, Mr. Sharon Goldenberg replaced Mr. Tryber as Company CEO. Mr. Goldenberg previously served as Vice President of the Company's Business Division.

(**) Following Amendment 16 to the Companies Law, includes management fees and fixed compensation for directors on behalf of the controlling shareholder who are not employed by the Company or on its behalf, in consideration for management services and the transfer of knowledge, see Note 31F.

C. Transactions with interested parties and related parties

Transactions with the controlling shareholder:

	For the year ended December 31		
	2023	2022	2021
	NIS thousands		
Management fees (see 31F)	2,118	2,303	2,303
Employee services (see 31E)	9,373	9,405	12,846
Depreciation expenses in respect of leases (see 31G)	7,398	7,150	6,225
Finance expenses in respect of leases (see 31G)	1,280	1,080	1,124
Other miscellaneous services	2,311	2,819	1,428
Provision of services (see 31H)	582	582	582
	23,062	23,339	24,508

Note 31 - Transactions and Balances with the Controlling Shareholder and Related Parties (cont'd)

D. Income and expenses from related parties and interested parties

Terms and conditions of transactions with related parties
Purchases from related parties are executed at market prices. Unpaid balances at year end are not secured, do not bear interest, and are settled in cash. No guarantees in respect of amounts receivable or payable were received or given.

E. Employee services from members of Kibbutz Yizre'el

Since January 1, 2004, an agreement has been in effect, under which the Kibbutz provides to the Company, upon its request, manpower services rendered by Kibbutz members and/or candidates for membership and/or Kibbutz residents.

The Company undertook to pay to the Kibbutz a monthly consideration for the services of the Kibbutz employees, calculated according to the number of work hours provided by the Kibbutz multiplied by a fixed rate per hour worked (hereinafter: the "Fixed Rate"), plus any benefit, bonus, gift or their economic value to the Company, which shall be paid by the Company to all employees.

Following Amendment 16 to the Companies Law and following the Audit Committee's recommendation, on September 27, 2011, the Board of Directors approved a Fixed Rate per hour worked of NIS 105, beginning on January 1, 2012. The term of the agreement was set at 5 years from that date. The Board of Directors also approved that any update to the salary paid to the Kibbutz would be implemented immediately, according to cross-organizational wage changes in the Company.

In January 2017, the agreement for the supply of manpower was extended for an additional 5-year term, beginning on January 1, 2017 (hereinafter: the "Renewed Agreement"). As part of the Renewed Agreement, the Fixed Rate was set, which, as of December 2021, was NIS 132.9 per hour worked.

On January 1, 2022, the manpower agreement was renewed for an additional 5-year term. One year after the date whereon the agreement takes effect, each of the parties is entitled to terminate the agreement in a written notice to the counterparty, given 90 days in advance. In consideration for the supply of manpower, the Company will pay the Kibbutz a monthly payment calculated on the basis of the number of hours of work supplied by the Kibbutz, multiplied by the hourly rate, according to three categories: For the services of production and operations employees – NIS 62/hour; for the services of office staff – NIS 159/hour; and for manager services – NIS 215/hour. These rates will also apply to overtime and will be updated according to the increase in the wages of Company employees who are not Kibbutz members.

According to the manpower agreement, the Kibbutz will supply to the Company, upon its request, manpower services rendered by Kibbutz members (and candidates for membership) of a scope of 39 jobs (of 186 work hours per month/job), at the hourly rate mentioned above. If the Kibbutz employees are in practice employed overtime, over and above the scope of said 39 jobs, the Company will pay the Kibbutz an additional consideration at the same rate per hour worked, up to a maximum of 10% of the payment for 39 jobs. The Company may also from time to time increase the number of Kibbutz employees at the same hourly rate, according to the Company's needs and the Kibbutz's ability to make additional suitable manpower available to the Company (the Kibbutz has a preferential right to make such suitable manpower available, and the Company has a right to refuse this on reasonable grounds).

Note 31 - Transactions and Balances with the Controlling Shareholder and Related Parties (cont'd)

E. Employee services from members of Kibbutz Yizre'el (cont'd)

The Kibbutz will also provide manpower services rendered by other Kibbutz workers according to the Company's needs, as temporary employees, of a scope of up to 15% of the number of temporary employees employed at such time, at the same hourly rate.

The Kibbutz provides the manpower services to the Company as an independent contractor, and employer-employee relations do not apply between the Company and the Kibbutz employees (the Kibbutz is obliged to indemnify the Company in the case of an argument claiming existence of an employment relationship with the Company). Furthermore, the Kibbutz has undertaken to be exclusively liable for its employees, and to purchase, at its expense, employer's liability insurance that covers all Kibbutz workers.

The agreement further determines that any significant change in the amount of the total consideration which is paid to the Kibbutz under the agreement, or in the number of Kibbutz members who are employed in the Company in relation to their number as of the date of execution of the manpower services agreement, will necessitate the receipt of the approvals required by law (approval by the Audit Committee, the Board of Directors and General Meeting).

F. Management fees and use of knowledge

On June 12, 2004, the Company and the Kibbutz signed an agreement regarding management fees and use of knowledge. The original term of the agreement was set at ten years, and in accordance with its terms and conditions, the agreement will be extended automatically for additional terms of three years each, unless either party has informed the counterparty, in writing, up to 3 months before the end of any term, of its desire not to renew the agreement. The initial term was to have expired on June 11, 2014.

However, on October 4, 2012, in accordance with the provisions of Amendment 16 to the Companies Law, 1999 ("Amendment 16"), the General Meeting of the Company resolved to revise and approve the renewal of the engagement in the June 12, 2004 agreement with the Kibbutz for the provision of management services and knowledge transfer, for a three-year term, (beginning on January 1, 2012), in accordance with the terms and conditions specified in the amended transaction report, which was published on September 12, 2012.

On October 20, 2014, the General Meeting of the Company approved the renewal of the management agreement with the Kibbutz for an additional three-year term, beginning on January 1, 2015, under the same terms conditions as those which were in effect on its expiration.

On August 7, 2018, the General Meeting of the Company approved the renewal of the management agreement with the Kibbutz for an additional three-year term, beginning on January 1, 2018, in consideration for a total payment of up to NIS 2,518,633 per year.

On January 4, 2021, the General Meeting of the Company approved the renewal of the management agreement with the Kibbutz for an additional three-year term, until December 31, 2023. The heads of the renewed agreement are:

Note 31 - Transactions and Balances with the Controlling Shareholder and Related Parties (cont'd)

F. Management fees and use of knowledge (cont'd)

A total payment of up to NIS 2,302,595 per year, according to the following breakdown: the sum of NIS 637,595 will be paid for the work of five directors on behalf of the Kibbutz as part of the work of the Board of Directors; the sum of NIS 900,000 will be for the service of the Chairman of the Board, and NIS 300,000 will be paid for the work of another director outside of board meetings. Of the latter two payments, payment of NIS 618,000 will be contingent on the accomplishment of targets which will be set for the Company CEO each year, in the portion pertaining to the Company's targets only; and NIS 465,000 will be paid for ensuring production availability.

The management fee agreement was extended until April 30, 2024 under a regulatory extension. See also the update to the agreement after the date of the statement of financial position, Note 32B.

G. Leasing of buildings

Since January 1, 2004, a lease agreement has been in effect between the Kibbutz and the Company (hereinafter: the "Lease Agreement"), under which the Kibbutz leases yard space and buildings to the Company for a 24-year term, from January 1, 2004 to December 31, 2027. The monthly rent was set at NIS 3.42/m^2 of yard space, NIS 12.47/m^2 of warehouses and sheds and NIS 21.51/m^2 of the building space, plus a fixed monthly sum of NIS 25 thousand. All amounts are linked to the CPI for June 2004 through to the actual payment date.

Commencing on January 1, 2010, the Company is entitled to terminate the Lease Agreement at any time, subject to 12 months' advance notice, provided that the resolution to terminate the agreement was passed by the Company's Board of Directors and according to the provisions of applicable law.

The Company undertook to insure the leased property at its own expense, and to add the Kibbutz as a beneficiary under the policy.

Following Amendment 16 to the Companies Law and at the recommendation of the Audit Committee, the Company's Board of Directors approved the continuation of the agreement between the Company and the Kibbutz, in accordance with the terms and conditions of the original agreement and for the term prescribed in the original agreement.

In light of the expansion of the Company's business over the years, on May 8, 2014 the General Meeting of the Company approved an addendum to the Lease Agreement (hereinafter: the "2014 Addendum to the Lease Agreement"), which included a framework transaction for the leasing of additional space and the construction of additional buildings for the Company's use, from the Kibbutz, adjacent to the plant building, under the same terms and conditions as those specified in the Lease Agreement (including the rent specified below). Under the Addendum to the Agreement, the Company leases additional space from the Kibbutz, on which the Kibbutz has built a building of approximately 2,330 square meters which is used by the Company as a warehouse, including offices, and 2,208 square meters of operational space serving the warehouse, for the remainder of the lease term and in accordance with the terms of the Lease Agreement and the current lease fees. The Company also has an option to expand the warehouse by another 1,800 square meters during the lease term, subject to the approval of the Company's Audit Committee - this option was exercised in 2014 to increase the warehouse space by an additional 236 square meters.

Note 31 - Transactions and Balances with the Controlling Shareholder and Related Parties (cont'd)

G. Leasing of buildings (cont'd)

In August 2017, the Company's Audit Committee and Board of Directors approved the Company's engagement with the Kibbutz in another addendum to the Lease Agreement (hereinafter: the "2017 Addendum to the Lease Agreement"), determining that the addendum is consistent with the framework transaction. In accordance with the 2017 Addendum to the Lease Agreement, it was agreed to enlarge an additional 1,400 square meters of warehouse space, to convert 1,217 square meters of shed space into manufacturing space, and to convert 2,111 square meters of yard space into operational shed space. It was also agreed that the Company would have an option, exercisable until February 28, 2018, to rent a two-storey building of an area of up to 2,000 square meters, which would be built by the lessor on the premises of the production site in Yizre'el and will be used for manufacturing and office purposes. The building was completed and occupancy taken in April 2021.

In March 2019, the Company's Audit Committee and Board of Directors approved the Company's engagement with the Kibbutz in an additional addendum to the lease agreement (hereinafter: the "New Addendum to the Lease Agreement"). The New Addendum to the Lease Agreement updates the expansion of warehouse space to 1,865 square meters (in lieu of 1,400 square meters according to the 2017 Addendum to the Lease Agreement) and includes the leasing of an open operational space, adjacent to the warehouse enlargement, including 500 square meters of sheds and 2,300 square meters of yard space, as well as preparation of an access road to the operational space. The above will apply for the remainder of the lease term, according to the terms and conditions of the lease agreement and the current lease fees. The Company and the Kibbutz bore the costs of the construction and planning works according to an index determined in the 2014 Addendum to the Lease Agreement. The building was delivered to the Company on August 1, 2020.

Additionally, in March 2019 the Audit Committee and Board of Directors approved the expansion of the office building, involving the construction of a two-storey building of a total area of 960 square meters. The building was completed and occupancy taken in August 2021.

On September 2, 2021, the General Meeting of the Company convened and approved the Company's engagement with the Kibbutz in a new lease agreement (hereinafter: the "New Lease Agreement"). According to the New Lease Agreement, the Company will lease additional space from the Kibbutz, on which, together with the Kibbutz, it will build a new office campus in phases, covering a built-up area of 13,000 square meters and 10,000 square meters of parking space and service areas. The new office campus will consist of 3 buildings: the Corporate HQ building, the Technologies building and the Regions and Customer Service building. The lease term commenced on the completion and delivery of the first building in June 2023 – the Technologies building – and occupancy was taken in October 2023. The second building – Corporate HQ – is under construction, and occupancy is expected to be taken in August 2024. The lease term will expire 10 years after the date when the last project component is made available to the Company. The Company has options to extend the lease agreement, at its discretion, for two additional terms of five years each. In consideration for leasing the campus, the Company will pay the controlling shareholder yearly rent calculated according to an annual return of 6% on the planning and construction costs of the building envelopes, as approved by the Company, linked to the CPI.

In January 2022, the Audit Committee and the Board of Directors approved the Company's engagement with the Kibbutz in an addendum to the lease agreement. The addendum includes additional sheds and warehouses of a total area of 2,450 square meters and 1,340 square meters of yard space.

Note 31 - Transactions and Balances with the Controlling Shareholder and Related Parties (cont'd)

G. Leasing of buildings (cont'd)

In December 2023, after giving the lessor notice as required in the Lease Agreement, the Company terminated the lease term for a site that served as a temporary trailer compound (approximately 2,500 square meters) and for an office building (approximately 456 square meters), within the area of the Kibbutz.

As of December 2023, the Company leases 10,215 square meters as built-up areas, 18,290 square meters as yard space, and 15,934 square meters as warehouse and shed space. Following the increase in the CPI since March 2004, the monthly rent for the built-up areas, yard space and warehouse and shed space is NIS 29.65, NIS 4.71 and NIS 17.19 per square meter, respectively.

For the Technologies building, which was delivered to the Company in June 2023 and occupancy taken in October 2023, the Company pays monthly rent of NIS 148 thousand, which includes rent for the building, the adjacent parking lots and service fees for the building.

Total monthly rent paid to the Kibbutz (including the fixed amount) is approximately NIS 885 thousand.

Following the adoption of IFRS 16, Leases, in these financial statements, in the reporting period the Company recorded depreciation expenses and finance expenses of NIS 7,398 thousand and NIS 1,280 thousand, respectively, in respect of the lease agreements.

H. Provision of services

Since January 1, 2004, an agreement has been effect for the regulation of services provided by the Kibbutz to the Company, which the Company requires for its activity, including maintenance and cleaning services, security services, telecommunication, emergency services, first aid, sanitation and meals in the Kibbutz dining room for the manpower made available to the Company by the Kibbutz (hereinafter: the "Services").

The Kibbutz undertook to provide the Services in accordance with the Company's instructions and requirements, in consideration for NIS 39 thousand per month. Payment for the Services will be updated once per year according to the increase in the CPI in the prior year (but will not be revised should the CPI decrease).

The term of the agreement was set at five years, until December 31, 2008, and was automatically renewed in accordance with its terms and conditions for an additional three-year term. Following Amendment 16 to the Companies Law and in accordance with the Audit Committee's recommendation, the Company's Board of Directors approved an extension of the agreement period, under the same conditions, for an additional five-year term beginning on January 1, 2012.

In 2016, the agreement for the provision of Services by the Kibbutz was extended for an additional five-year term beginning on January 1, 2017. In January 2022, the agreement was renewed for a further five years.

As of December 2023, after linkage to the CPI, the Company pays NIS 49 thousand per month for the provision of the Services.

Note 32 - Events After the Reporting Period

A. On March 26, 2024, the Board of Directors of the Company passed a resolution to distribute a cash dividend of NIS 25 million, gross. The dividend will be paid on June 27, 2024. The record date was set for June 4, 2024.

B. On March 26, 2024, the Audit Committee and the Board of Directors approved the renewal of the management fee agreement with the controlling shareholder, with certain changes to the amount of the management fees.

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PART D – ADDITIONAL INFORMATION ON THE CORPORATION

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PERIODIC REPORT FOR 2023

Company name:	Maytronics Ltd.
Company number at Registrar of Companies:	511527202
Address:	Kibbutz Yizre'el 1935000
Tel.:	04-6598111
Fax:	04-6522485
Date of Statement of Financial Position:	December 31, 2023
Date of Report:	March 26, 2024

1. Regulation 10A: Condensed Quarterly Statements of Comprehensive Income (NIS Thousands)

The following table presents the condensed quarterly statements of comprehensive income for the reporting period:

Item	Q1	Q2	Q3	Q4	Total
Sales revenue	524,425	729,300	332,103	303,737	1,889,565
Cost of sales	283,652	422,283	198,193	195,512	1,099,640
Gross profit	**240,773**	**307,017**	**133,910**	**108,225**	**789,925**
Research and development expenses	16,797	13,396	12,454	12,413	55,060
Selling and marketing expenses	70,618	124,512	80,221	57,211	332,562
General and administrative expenses	36,522	40,472	28,602	38,743	144,339
Other income, net	-	-	-	(247)	(247)
Operating profit	**116,836**	**128,637**	**12,633**	**105**	**258,211**
Other income (expenses)	-	-	59	(38)	21
Finance expenses, net	(18,353)	(17,325)	(14,721)	(15,940)	(66,339)
Profit (loss) before income tax	**98,483**	**111,312**	**(2,029)**	**(15,873)**	**191,893**
Income tax (tax benefit)	10,058	18,513	(4,721)	4,484	28,334
Net income (loss)	**88,425**	**92,799**	**2,692**	**(20,357)**	**163,559**
Other comprehensive income (loss) (Adjustments arising from translation of financial statements of foreign operations and remeasurement of defined benefit plans)	11,093	9,497	10,311	(11,928)	18,973
Total comprehensive income (loss)	**99,518**	**102,296**	**13,003**	**(32,285)**	**182,532**

2. Regulation 11: List of Investments in Subsidiaries

Company name	Share class	Number of shares in subsidiary	Total par value	Value in Company's separate financial information on the reporting date (NIS thousands)	Loans (NIS thousands)	Percentage of Company's holding		
						Capital	Voting rights	Power to appoint directors
Maytronics US Inc.*	Ordinary	100	$1 USD	226,162	***54,405	100%	100%	100%
MG International S.A.**	Ordinary	3,768,365	€0.1	81,607	-	73.02%	****82.4%	75%
Maytronics Australia Pty. Ltd.	Ordinary	600,000	$1 AUD	40,703	-	61.2%	61.2%	60%
Bünger & Frese GmbH	Ordinary	1,050,000	€1	66,725	-	100%	100%	100%
Maytronics Spain & Portugal S.L.	Ordinary	3,423	€1	501	-	100%	100%	100%
ECCXI Europe Ltd.	Ordinary	100	No par value	-	-	100%	100%	100%

* On May 18, 2023, the Company renewed a comfort letter to the subsidiary Maytronics US, Inc. (hereinafter: "**MTUS**") for an increase in a line of credit, from USD 35 million to USD 85 million.

** The shares of MG International S.A. (hereinafter: "**MTFR**") are listed on Euronext Growth Paris, and on the date of the statement of financial position, the share price was €5.7 per share.

As of the reporting date, the subsidiary MTFR owes an amount of €2.97 million in respect of bank loans received in the past five years, of which an amount of €70 thousand was repaid in February 2024 and the remainder is due to be repaid by April 2027; with respect to said loans, the Company furnished comfort letters to the subsidiary in which it undertook that for as long as the loans have not been cleared, its ownership stake in the subsidiary shall be more than half of the issued and paid-up share capital and voting rights in MTFR, and further undertook to use its best efforts that MTFR shall satisfy the terms and conditions of the loans.

*** A short-term loan for up to one year, bearing 7% fixed annual interest.

**** According to MTFR's articles of association, MTFR shares that have been paid for in full and are registered in the name of the holder thereof will confer upon the holder thereof double voting rights, if said shareholder has been registered as the shareholder thereof for more than two years. Accordingly, the Company holds 82.4% of the voting rights in MTFR.

3. Regulation 12: Changes in Investments in Subsidiaries

In 2023, there were no changes in investments in subsidiaries.

4. Regulation 13: Income of Subsidiaries and the Corporation's Income Therefrom (NIS thousands)

Company Name	Income for the Period[1]	Dividend	Management Fees	Interest
Maytronics US, Inc.	61,853	-	-	5,841
MG International S.A.	12,752	4,980	-	-
Maytronics Australia Pty. Ltd.	17,479	4,422	-	-
Bünger & Frese GmbH	3,788	-	-	-
Maytronics Spain & Portugal S.L.	223	-	-	-

5. Regulation 20: Trading on the Stock Exchange

In 2023, there were no suspensions of trading in the Company's shares.

[2] The total annual income of the subsidiary, including the portion attributable to non-controlling interests.

6. Regulation 21: Payments to Senior Officers (NIS thousands)

a. Remuneration of senior officers

Following is information on payments made by the Company and all obligations undertaken by the Company, including retirement benefits in the reporting year, with respect to each of the five senior officers serving in the Company or in a subsidiary of the Company, who are the five highest wage earners.

Details of the Recipient of Remuneration				Compensation for Services						
Name	**Title**	**Job scope**	**% holding of capital**	**Salary*- Employer costs for 2023**	**Bonus ****	**Share-based payment *****	**Management /Consulting fees**	**Commission**	**Other/ Retirement benefits ******	**Total**
Sharon Goldenberg	CEO	100%	-	1,613	1,120	2,064	-	-	-	4,797
Franck Devik Sogaard	VP Business Division; President of Americas, APAC & EMEA	100%	-	1,532	823	620	-	-	299	3,274
Stav Gizunterman	Chief Solutions Officer	100%	-	987	348	481	-	-	-	1,816
Meni Maymon	CFO	100%	-	925	337	391	-	-	-	1,653
Guy Lipschitz	VP Supply Chain	100%	-	841	284	391	-	-	-	1,516

* "Salary" – Employer costs, including wage-related benefits such as car maintenance, telephone, social benefits, provisions for termination, and any income charged to salary due to a component granted to the employee. Mr. Sogaard's compensation is paid in USD by MTUS.

** "Bonus" refers to 2023 and will be paid in 2024, after the reporting date. In 2023, the above officers were paid a bonus for 2022, in which respect a provision was made in the Company's annual report for 2022, and therefore, said payments are not included in the above table. With respect to the Company CEO, also includes a one-time bonus equal to three salaries, which was paid during the reporting year.

*** "Share-based payment" refers to the expenses recorded on the Company's books according to generally accepted accounting principles in the reporting year in respect of warrants granted.

**** With respect to the VP Business Division, including contributions to a retention plan and life insurance in the US.

General – bonuses for senior officers

The Company's renumeration policy defines, inter alia, a precondition for the payment of a bonus to all officers (refers to the portion related to the achievement of quantitative targets), which is cumulative net profit from continuing operations in the two years ended on the reporting date, and that said amount shall be included each year in this section of the periodic report. Said cumulative net profit was NIS 391 million, and accordingly, the precondition is satisfied. This is in addition to a condition stipulating consolidated net profit of more than NIS 75 million in the year for which the bonus is awarded, which in fact amounted to NIS 163.6 million.

In early 2023, the Remuneration Committee and the Board of Directors set the officers' targets for the reporting year in advance, the full or partial satisfaction whereof will determine the entitlement of the officers to variable compensation in respect of that year.

Further to the above, on March 20, 2024 and March 26, 2024, the Remuneration Committee and the Board of Directors (respectively) approved the bonuses that will be paid to the officers of the Company in respect of the reporting year.

General – Share-based payment (warrants) for officers: components and characteristics

The five highest wage earners enumerated below (hereinafter: the "**Officers**"), also benefit from share-based compensation under an ESOP for employees, consultants, service providers, managers and directors of the Company and related companies (hereinafter: "**ESOP**"), which was adopted by the Company in 2017.

The revised ESOP currently includes 3,190,000 (non-marketable) warrants, granted without consideration and exercisable for up to 3,190,000 ordinary shares of the Company of NIS 0.1 par value each (hereinafter: the "**Warrants**" and the "**Underlying Shares**", respectively), in accordance with the terms and conditions of the ESOP (hereinafter: the "**Revised ESOP Framework**").

Over the years and as described in section 3.8.11 in the Description of the Corporation's Business for 2023, the Company published outlines and allotment reports, in accordance with which Warrants were allotted to the Officers, some of which have already vested and were exercised. On February 24, 2022, the Company published an outline intended to allow for the exercise of the remainder of the Original ESOP Framework, as well as the Expanded ESOP – in total, an allotment of up to 3,308,385 Warrants, convertible into 3,308,385 ordinary shares of the Company. For further information, see the Company's Immediate Report of February 24, 2022 (reference no. 2022-01-022987), which is incorporated herein by reference.

Dates pertaining to the award of this compensation: Subject to the remaining terms and conditions of the ESOP, an Officer's entitlement to exercise the Warrants allotted to him shall be created in four (4) yearly tranches: one-fourth (25%) of the total number – one year after the allotment date; one-fourth (25%) of the total number – two years after the allotment date; one-fourth (25%) of the total number – three years after the allotment date; and an additional one-fourth (25%) of the total number – four years after the allotment date.

Principal information on the eligibility for compensation of each of the five highest wage earners in the Group:

(1) **Mr. Sharon Goldenberg** has served as CEO of the Company since November 26, 2021 under an agreement that may be terminated by either party with 180 days' notice; his compensation package includes salary and wage-related benefits, including company car (or cash-for-car), social benefits, advanced study fund, convalescence pay, provisions for termination, etc.

Further, according to the Company's Remuneration Policy in its version as in effect on December 31, 2023, Mr. Goldenberg is entitled to an annual bonus, which shall be reviewed at year-end in the light of targets set in advance, of a scope that is no more than 12 salaries.

The targets for payment of the annual bonus for 2023 to the CEO are as follows:

#	Target	Portion of the bonus
Company targets		
1.	Operating profit target of the percentage approved by the Board of Directors	10%
2.	Sales target approved by the Board of Directors	10%
3.	Gross profit target of the percentage approved by the Board of Directors	20%
4.	Cash flow from operating activities target approved by the Board of Directors	10%
5.	Sales target for pool-related products approved by the Board of Directors	5%
Individual targets		
6.	Operational expansion projects – accomplishment of significant milestones in the plan	5%
7.	Development projects – accomplishment of significant milestones in the plan	5%
8.	Strategic project #1 – accomplishment of significant milestones in the plan	5%
9.	Strategic project #2 – accomplishment of significant milestones in the plan	5%
Evaluation by the Chairman of the Board		
10.	Non-measurable personal evaluation	25%

On March 20, 2024 and March 26, 2024, the Remuneration Committee and the Board of Directors (respectively) reviewed the CEO's accomplishment of said targets and found that the CEO was considered to have achieved most of the targets, and asserted his entitlement to an annual bonus of NIS 820 thousand.

Share-based payment (Warrants) – the number of securities awarded and their fair value: With respect to the components of the compensation, its characteristics and associated dates – see below.

Over the years, the CEO was allotted 300,000 Warrants (including 60,000 Warrants in his previous position as VP Business Division), exercisable for 300,000 ordinary shares, of a number that will reflect only the monetary value of the benefit inherent in the Warrants on the exercise date.

On May 17, 2023, the CEO was allotted another 110,000 Warrants, exercisable for 110,000 ordinary shares, of a number that will reflect only the monetary value of the benefit inherent in the Warrants on the exercise date. The total fair value of the Warrants (including Warrants allotted to the CEO in his previous position as VP Business Division) allotted to the CEO is NIS 6.5 million. For further information, see section 3.8.11 in the Description of the Corporation's Business for 2023.

(2) **Mr. Franck Devik Sogaard** – since February 1, 2023, Mr. Sogaard has served as VP Business Division and as President of Americas, APAC and EMEA. Prior thereto, he served as General Manager of the subsidiary MTUS and as Global Director of Americas, APAC and EMEA. Mr. Sogaard is employed by MTUS under an employment contract, which may be terminated by either party (without notice being required). His compensation includes an annual base salary and wage-related benefits, including reimbursement for car expenses, social benefits, etc.

According to the Company's Remuneration Policy in its version as in effect on December 31, 2023, Mr. Sogaard is entitled to an annual bonus, which shall be reviewed at year-end in the light of targets set in advance, of a scope that is no more than 12 salaries.

The targets for payment of the annual bonus for 2023 to the VP Business Division are as follows:

#	Target	Portion of the bonus
Company targets		
1.	Financial targets: Growth in total sales, gross profit, operating profit and cash flows from operating activities, of the percentage or at the amount set by the Board of Directors	50%
2.	Departmental targets (summary of achievement of departmental OKRs)	40%
3.	Non-measurable personal evaluation	10%

On March 20, 2024 and March 26, 2024, the Remuneration Committee and the Board of Directors (respectively) reviewed his accomplishment of said targets and found that the VP Business Division was considered to have achieved most of the targets, and asserted his entitlement to an annual bonus of USD 226 thousand.

With respect to equity compensation (Warrants):
For the components of compensation, its characteristics and associated dates – see above. Mr. Sogaard is among the offerees to whom the Company has decided to allot Warrants.
The terms and conditions for the receipt thereof were satisfied. See above.

In 2023, Mr. Sogaard was allotted 110,000 Warrants, exercisable for 110,000 ordinary shares, of a number that will reflect only the monetary value of the benefit inherent in the Warrants on the exercise date. Their fair value on the grant date was NIS 1.6 million.

(3) **Mr. Stav Gizunterman** is employed as the Company's Chief Solutions Officer since October 2022 under an employment contract, which may be terminated by either party with 90 days' notice; his salary includes wage-related benefits, including company car, social benefits, advanced study fund, convalescence pay, provisions for termination, etc. In addition, according to the Company's Remuneration Policy, Mr. Gizunterman is entitled to an annual bonus of up to 9 monthly salaries.

The targets for payment of the annual bonus for 2023 are as follows:

#	Target	Portion of the bonus
1.	Financial targets: Growth in total sales, gross profit, operating profit and cash flows from operating activities, of the percentage or at the amount set by the Board of Directors	50%
2.	Departmental targets (summary of achievement of departmental OKRs)	40%
3.	Non-measurable personal evaluation	10%

On March 20, 2024 and March 26, 2024, the Remuneration Committee and the Board of Directors (respectively) reviewed his accomplishment of said targets and found that the CSO was considered to have achieved most of the targets, and asserted his entitlement to an annual bonus of NIS 348 thousand.

With respect to equity compensation (Warrants):
For the components of compensation, its characteristics and associated dates – see above. Mr. Gizunterman is among the offerees to whom the Company has decided to allot Warrants.
The terms and conditions for the receipt thereof were satisfied. See above.

In November 2022, Mr. Gizunterman was allotted 85,000 options, exercisable for 85,000 ordinary shares, of a number that will reflect only the monetary value of the benefit inherent in the Warrants on the exercise date. Their fair value on the grant date was NIS 0.95 million.

(4) **Mr. Meni Maymon** has served as the Company CFO since May 2010 under an employment contract, which may be terminated by either party with 60 days' notice; his salary includes wage-related benefits, including company car, social benefits, advanced study fund, convalescence pay, provisions for termination, etc. In addition, Mr. Maymon is entitled to an annual bonus of up to 9 monthly salaries.

The targets for payment of the annual bonus for 2023 are as follows:

#	Target	Portion of the bonus
1.	Financial targets: Growth in total sales, gross profit, operating profit and cash flows from operating activities, of the percentage or at the amount set by the Board of Directors	50%
2.	Departmental targets (summary of achievement of departmental OKRs)	40%
3.	Non-measurable personal evaluation	10%

On March 20, 2024 and March 26, 2024, the Remuneration Committee and the Board of Directors (respectively) reviewed his accomplishment of said targets and found that the CFO was considered to have achieved most of the targets, and asserted his entitlement to an annual bonus of NIS 337 thousand.

With respect to equity compensation (Warrants):
For the components of compensation, its characteristics and associated dates – see above. Mr. Maymon is among the offerees to whom the Company has decided to allot Warrants.
The terms and conditions for the receipt thereof were satisfied. See above.

In 2023, Mr. Maymon was allotted 35,000 Warrants, exercisable for 35,000 ordinary shares, of a number that will reflect only the monetary value of the benefit inherent in the Warrants on the exercise date. Their fair value on the grant date was NIS 0.48 million.

(5) **Mr. Guy Lipschitz** has served as VP Supply Chain since January 2017 under an employment contract, which may be terminated by either party with 90 days' notice; his salary includes wage-related benefits, including company car, social benefits, advanced study fund, convalescence pay, provisions for termination, etc. In addition, according to the Company's Remuneration Policy, the VP Supply Chain is entitled to an annual bonus of up to 9 monthly salaries.

The targets for payment of the annual bonus for 2023 are as follows:

#	Target	Portion of the bonus
1.	Financial targets: Growth in total sales, gross profit, operating profit and cash flows from operating activities, of the percentage or at the amount set by the Board of Directors	50%
2.	Departmental targets (summary of achievement of departmental OKRs)	40%
3.	Non-measurable personal evaluation	10%

On March 20, 2024 and March 26, 2024, the Remuneration Committee and the Board of Directors (respectively) reviewed his accomplishment of said targets and found that the VP Supply Chain was considered to have achieved most of the targets, and asserted his entitlement to an annual bonus of NIS 284 thousand.

With respect to equity compensation (Warrants):
For the components of compensation, its characteristics and associated dates – see above. Mr. Maymon is among the offerees to whom the Company has decided to allot Warrants.
The terms and conditions for the receipt thereof were satisfied. See above.

In 2023, Mr. Lipschitz was allotted 35,000 Warrants, exercisable for 35,000 ordinary shares, of a number that will reflect only the monetary value of the benefit inherent in the Warrants on the exercise date. Their fair value on the grant date was NIS 0.48 million.

b. Remuneration of interested parties

Following is information on the payments made to each of the interested parties who is not included in the above table, which were paid by the Company or by a subsidiary of the Company for services rendered by the individual as the holder of a position in the Company or in a subsidiary of the Company, whether or not an employer-employee relationship exists and also if the interested party is not a senior officer:

1. The independent director Ms. Shirith Kasher and the external directors, Ms. Ronnie Meninger and Mr. Shlomo Liran, were paid director's compensation in the reporting period at an amount that is between the "fixed amount" and the "maximum amount" in accordance with the Companies Regulations (Rules Regarding Remuneration and Expense Reimbursement of External Directors), 2000. In 2023, the cost of payment to the directors, including accompanying expenses, amounted to a total of NIS 435 thousand.

2. Payment to the Chairman of the Board and to five directors who are members of Kibbutz Yizre'el – Workers Cooperative Association Ltd. (hereinafter: the "**Kibbutz**" or "**Kibbutz Yizre'el**") is made separately by the controlling shareholder of the Company – the Kibbutz – from payments received by the Kibbutz from the Company under the management services and knowledge transfer agreement between the Kibbutz and the Company, which was reapproved by the General Meeting on January 4, 2021. The total payment for 2023 was NIS 2,118 thousand. For the form of the management agreement that was approved, see the Immediate Report of November 29, 2020 (reference no. 2020-01-128424), which is incorporated herein by reference, and section 3.15.2 in the chapter Description of the Corporation's Business.

   The term of the management agreement, which was to have expired on December 31, 2023, was extended by a resolution of the Board of Directors of December 25, 2023, in accordance with the provisions of the Extension of Periods and Postponement of Deadlines Law (Temporary Order – Swords of Iron) (Administrative Procedures, Tenure Periods and Corporations), 2023, until the earlier of the date of approval of a new agreement or March 31, 2024. After the reporting period, the Audit Committee and the Board of Directors of the Company approved the renewal of the management agreement with certain changes as described in the convening report of the General Meeting, published proximate to the publication of this report.

7. Regulation 21A: Corporate Control

In the reporting period and as of the reporting date, the controlling shareholder of the Company is Kibbutz Yizre'el – Workers Cooperative Association Ltd., through Kibbutz Yizre'el Holdings 2004 ACS Ltd. (hereinafter: "**Yizre'el Holdings ACS**").

8. Regulation 22: Transactions with the Controlling Shareholder

Following is information, to the best of the Company's knowledge, on transactions with the controlling shareholder of the Company or in the approval of which the controlling shareholder has a personal interest, to which the Company or a subsidiary of the Company are a party, which were entered into in the reporting year through to the date of filing of this report or which are still in force on the date of this report.

(1) Negligible transactions

On March 26, 2009, the Board of Directors adopted guidelines for the classification and definition of a transaction between the Company or a subsidiary of the Company and an interested party as a "negligible transaction", in accordance with regulation 41(a3)(1) of the Securities Regulations (Annual Financial Statements), 2010 (hereinafter: the "**Financial Statements Regulations**"). These guidelines, in accordance with the provisions of regulation 22 of the Securities Regulations (Periodic and Immediate Reports), 1970, serve for purposes of assessing the scope of disclosure in the periodic report, and in accordance with regulation 54 of the Securities Regulations (Details, Structure and Form of Prospectus and Draft Prospectus), 1969, for purposes of the scope of disclosure in a prospectus (including shelf offering reports), and for purposes of the financial statements in accordance with regulation 41(a3) of the Financial Statements Regulations.

Types and properties of interested party transactions considered as negligible by the Company:

In the ordinary course of business, the Company executes, or is likely to execute, transactions with the Kibbutz, or transactions in the approval of which the Kibbutz has a personal interest, including transactions for the supply of services of various kinds – transactions of a negligible financial scope that is immaterial to the Company's business, such as the use of shared resources, the purchase of various goods and services (e.g., minor purchases at the Kibbutz minimarket, an employee's participation in enrichment courses held by the Kibbutz, use of the Kibbutz swimming pool for product trials, and splitting the costs of using shared facilities such as a water tower for fire suppression), or the receipt of regular repair services (e.g. electrical repairs, forklift repairs), etc.

The Board of Directors has determined that in the absence of distinctive qualitative criteria arising from the body of circumstances at hand, an interested party transaction that does not fall within the scope of an extraordinary transaction[2] will be defined a negligible transaction if it satisfies a two-phase test: (1) qualitative test – if, in terms of its nature, substance and effect on the Company, the transaction is immaterial to the Company, and there are no special considerations that arise from the body of circumstances of the matter that attest to the materiality of the transaction; (2) quantitative test – if its cumulative effect is less than 1% of the Company's total cost of sales in its most recent audited consolidated financial statements.

[2] Non-extraordinary transaction – a transaction executed in the ordinary course of business, undertaken in market conditions, which is not likely to substantially influence the profitability of the company, its property or liabilities.

To clarify, transactions of the same type executed on a routine, repetitive and independent basis from time to time will be assessed for purposes of the periodic reports and prospectus (including shelf offering reports) on an annual cumulative basis, and for purposes of an immediate report, each transaction will be reviewed individually.

It is further clarified that a transaction that is perceived as material or as meaningful to decision-making by Company Management, or the disclosure whereof to the investor public is of importance – even if such a transaction satisfies the quantitative test for definition as negligible – will not be defined as such.

Further to this procedure and in accordance with the provisions of Amendment 22 to the Companies Law, 1999, on September 8, 2015 and September 10, 2015, the Audit Committee and the Board of Directors (respectively) approved a procedure for a competitive process with respect to transactions that are non-negligible and non-extraordinary, which determines the following:

a. Definition of the type of process: With respect to a transaction that is non-negligible and non-extraordinary, and particularly when this is a transaction with the controlling shareholder or in the approval of which the controlling shareholder has a personal interest, the Audit Committee will determine a "competitive process" (supervised and criteria-based) or "other processes" for the purpose of reviewing and approving the transaction. The Audit Committee's decision regarding the institution of "other processes" is a decision in which respect the Audit Committee will assess its reasonableness and justification compared to the institution of a competitive process.

b. The body that oversees the competitive process: The Audit Committee or whoever is appointed by the Audit Committee (including a committee of independent directors) will be the supervisory body for the competitive process.

c. Content of the criteria for conducting the competitive process or other processes: The Audit Committee will determine the manner in which a competitive or other process for the assessment and approval of the transaction shall be conducted. The process will include one of the following: a review of possible alternatives for the execution of the transaction and/or the receipt of an appraiser's opinion and/or presentation of data on similar transactions that were executed and/or by way of a request for proposals (RFP) and/or simultaneous negotiations with several bidders, or any other process as the Committee sees fit.

d. In transactions of kinds where is not possible to determine in advance the precise criteria for conducting the competitive process or other process, the Audit Committee may avail itself of various experts (appraisers and others), may establish a special independent committee of directors for negotiations, and may retain the services of outside parties (which are not those that serve the controlling shareholders) to assist in negotiations, etc.

e. After collecting and consolidating the information, Company Management shall forward the data for review by the Audit Committee. The Audit Committee may request additional information or decide whether or not to approve the transaction.

f. When a non-negligible and non-extraordinary transaction is approved, the Company will issue an Immediate Report as required by law.

In 2023, negligible transactions executed with the Kibbutz amounted to a total of NIS 2.3 million, and mainly included payment for food, the purchase of products from the Kibbutz minimarket and the repair of the Company's vehicles at the service station.

(2) Controlling shareholder transactions

The Company's transactions with the Kibbutz that are currently in effect, including an agreement for the provision of services, an agreement for the provision of management services by the Kibbutz and use of knowledge by the Company, an agreement for the supply of manpower and a lease agreement, are described in Note 31 to the financial statements and in section 3.15 in the chapter Description of the Corporation's Business.

a. **Grant of exemption and an indemnification undertaking to directors and senior officers**

On March 27, 2016, March 30, 2016 and May 10, 2016, the Remuneration Committee, the Board of Directors and the General Meeting, respectively, reapproved the grant of letters of undertaking in advance to indemnify directors and officers serving and/or who shall serve in office in the Company from time to time, including those who are affiliated with the Kibbutz, in the form of the letter of indemnity approved by the Annual General Meeting of the Company on April 29, 2013 (reference no. 2016-01-025200). In accordance with the provisions of section 275 (a1)(2) of the Companies Law, 1999, in its meeting on March 27, 2016, the Audit Committee, in respect of officers who are affiliated with the Kibbutz and in their respect only, set the period during which events occurring therein will be governed by the letters of indemnity given or which shall be given from time to time to officers affiliated with the Kibbutz, and determined that said period would end after nine years, i.e. on March 31, 2025.

b. **Procurement of directors and officers (D&O) liability insurance**

At the date of this report, all directors and officers of the Company, including directors and officers who are members of the Kibbutz (the indirect controlling shareholder of the Company) have D&O liability insurance with liability limits (per incident and per period) of USD 50.5 million, in consideration for an annual premium of USD 110,534, for one year, effective until March 7, 2024 (hereinafter: the "**Policy**").

After the reporting date, on March 20, 2024, the Remuneration Committee, and on March 26, 2024, the Board of Directors, in accordance with Regulations 1a1 and 1b1 of the Companies Regulations (Easements in Transactions with Interested Parties), 2000, approved the renewal of the current coverage for a one-year period commencing on March 8, 2024 through to March 7, 2025, the terms and conditions being the same as those of the previous Policy, in consideration for an annual premium of USD 100,000.

In this context, the Remuneration Committee and the Board of Directors confirmed that the Policy satisfies the requirements of the Easement Regulations, i.e., the transaction is undertaken in market conditions, is not likely to substantially influence the profitability of the company, its assets or liabilities, and is consistent with the Company's Remuneration Policy.

c. **Agreement for the supply of manpower:** For further information on this agreement, see section 3.8.2 in the chapter Description of the Corporation's Business and also Note 31 to the financial statements.

d. **Agreement for the construction and leasing of the Company's campus:** For further information on this agreement, see section 3.15.4 in the chapter Description of the Corporation's Business also Note 31 to the financial statements.

9. Regulation 24(A): Holdings of Interested Parties

For information on the subject, see the Immediate Report of January 7, 2024 (reference no. 2024-01-003198) (the most recent Report on the Status of Holdings of Interested Parties and Senior Officers).

10. Regulation 24(D): Dormant Shares

Since the first quarter of 2008, the Company has held 80,372 of its own shares (MTRN 01091065), which constitute 0.07% of the shares of the Company.

11. Regulation 24A: Authorized Capital, Issued Capital and Convertible Securities

For information on the share capital of the Company, see Note 23 to the financial statements. For further information on the convertible securities of the corporation as of the publication date of this report, see the Immediate Report, published by the Company on March 5, 2024 (reference no. 2024-01-022530) (Report on the Status of Capital and Registers of Securities of the Corporation and Changes Therein), and the Immediate Report of January 7, 2024 (reference no. 2024-01-003198) (Report on the Status of Holdings of Interested Parties and Senior Officers).

12. Regulation 24B: Shareholder Register

Name of registered holder	Corporation number/I.D. number	Address	Class of securities	Security no. on TASE	Number of securities*
Mizrahi Tefahot Nominee Company Ltd.	51-042224-9	7 Jabotinsky St., Ramat Gan 52620	Ordinary shares	01091065	109,791,035
Total number of ordinary shares					**109,791,035**

* As of December 31, 2023, including 80,372 dormant shares of the Company, held by the Company, which do not confer voting rights and the right to receive dividends.
For the shareholder register of the Company as of the publication date of this report, see the Immediate Report of March 5, 2024 (reference no. 2024-01-022530).

13. Regulation 25A: Registered Office, Email Address and Telephone and Fax Numbers

Registered office:	Kibbutz Yizre'el 1935000
Email address:	www.maytronics.com
Tel.:	04-6598111
Fax:	04-6522485

14. Regulation 26(A): Directors of the Corporation

Director's name / Details	Yonatan Bassi	Jeremy Perling	Ariel Brin Dolinko
I.D. number	009201690	011132818	038226114
Date of birth	July 7, 1948	May 19, 1960	March 10, 1976
Address for service of judicial documents	Kibbutz Ma'ale Gilboa 1914500	Kibbutz Yizre'el 1935000	Kibbutz Yizre'el 1935000
Citizenship	Israeli	Israeli	Israeli
Education	High school	1. Mechanical Engineering, Technological College of Beersheba; 2. Bachelor's degree in Business Administration, Rupin Academic Center; 3. MBA, University of Haifa.	1. Bachelor's degree in Accounting and Economics, University of Haifa. 2. CPA. 3. MBA (Financial Management major), Coller School of Management – Leon Recanati Graduate School of Business Administration, Tel Aviv University. 4. Directors' course for officeholders, Ono Academic College.
Commencement of term of office	March 24, 2010	March 2002	May 8, 2017
Membership of Board committees	No	No	No
Employee of the corporation, subsidiary, related company or interested party	No (receives his remuneration from the Kibbutz in the framework of the management agreement between the Kibbutz and the Company)	Serves as Chairman of the Management Committee of Kibbutz Yizre'el; Chairman and CEO of the pension fund ("Keren Milu'im") for members of Kibbutz Yizre'el; Chairman of Kibbutz Yizre'el Agricultural Corporation; Chairman of the Association of Members of Kibbutz Yizre'el 2014; Kibbutz Yizre'el's Energy Manager	No
Occupation in the past five years	Served as Chairman of the Kibbutz Industries Association, and presently serves as Chairman of Beit She'an Farms Ltd. and Chairman of She'an Holdings	Serves as Chairman of the Management Committee of Kibbutz Yizre'el, Chairman and CEO of the pension fund ("Keren Milu'im") for members of Kibbutz Yizre'el; Chairman of Kibbutz Yizre'el Agricultural Corporation; Chairman of the Association of Members of Kibbutz Yizre'el 2014; Kibbutz Yizre'el's Energy Manager.	CFO, LOG Plastic Products Company (1993) Ltd. CEO, Kibbutz Yizre'el Holdings 2004 ACS Ltd. General Manager, Kibbutz Yizre'el Agriculture Dolinko – Financial Consulting & Management Service
Kinship with another interested party in the corporation	No	No	No
Possesses accounting and financial expertise	No	No	Yes
Independent director	No	No	No

Director's name / Details	Moran Kuperman	Ron Cohen	Shirith Kasher	Ilan Elad
I.D. number	034554824	032104051	022803332	03209645
Date of birth	March 8, 1978	January 2, 1975	July 10, 1967	July 18, 1975
Address for service of judicial documents	Kibbutz Yizre'el, 1935000	Kibbutz Yizre'el 1935000	9 Harimon St., Ramat Gan 5253445	Kibbutz Yizre'el, 1935000
Citizenship	Israeli	Israeli	Israeli	Israeli
Education	Bachelor's degree in Insurance, Netanya Academic College. Licensed life insurance agent since February 2022. Licensed elementary insurance agent since December 2022. Human Resources studies, "Management and Development of the Human Resource", Technion diploma studies. Mediation course – Goshrim Group – Multidisciplinary Mediation and Training Center, Mediation Center of the Federation of Local Authorities. Directors' course – Ma'avarim Ba'Emek, Yizre'el Valley Regional Council. Professional diploma from Nazareth Illit Yizre'el College	1. Executive MBA, University of Haifa. 2. Bachelor's degree in Economics and Agricultural Management, Hebrew University of Jerusalem.	1. MBA, Ono Academic College. 2. LL.B., Tel Aviv University. 3. Bachelor's degree, Faculty of Life Sciences, Tel Aviv University.	1. B.Sc. in Physics, Technion – Israel Institute of Technology. 2. B.Sc. in Electrical Engineering, Technion – Israel Institute of Technology. 3. Directors' course – Kibbutz Industries Association. 4. Analysis of Financial Statements, Tel Aviv University. 5. Three semesters of specialization in Physics, University of Tennessee.
Commencement of term of office	May 7, 2020	May 7, 2020	January 25, 2022	May 17, 2023
Membership of Board committees	No	No	Audit Committee, Financial Statements Committee and Remuneration Committee	No
Employee of the corporation, subsidiary, related company or interested party	No	No	No	No
Occupation in the past five years	Manager, Northern District – Shaham-Orlan Insurance, owned by Migdal Insurance Company Ltd. Sales and Risk Manager, Haifa and Northern Region, Clal Insurance Company Ltd.	Business Manager – Kibbutz Sde Nehemia; CEO, Kibbutz Yizre'el Holdings. Served as ACS Coordinator of Moshav Beka'ot	Strategic and business consultant – S.A.A.Z. Consulting and Investments Ltd.; Chief Strategy Officer, Urban Aeronautics; Head of Corporate & Structured Finance (Vice President), Brack Capital Group. Director of Poalim Equity Ltd.; Hachsharat Hayeshuv Ltd.; Phoenix Value P2P Limited Partnership; Automax Motors Ltd.; Meitav Dash Investments Ltd.; Zemach Feed Mill ACS; Yesodot Eitanim Ltd. and S.A.A.Z. Consulting and Investments Ltd.	Engineering Director, responsible for the development of a unique camera at Applied Materials; Before joining Applied Materials, Director of Engineering and Manager of Sony's Israel Image Sensor R&D site.

	Moran Kuperman	Ron Cohen	Shirith Kasher	Ilan Elad
Kinship with another interested party in the corporation	No	No	No	No
Possesses accounting and financial expertise	No	No	Yes	No
Independent director	No	No	Yes	No

Name of external director	Ronnie Meninger	Shlomo Liran
I.D. number	54484860	050771161
Date of birth	September 28, 1956	June 6, 1951
Address for service of judicial documents	Derech Habesor 21, Meitar 8502500	10 Hilu St., Tel Aviv 6954747
Citizenship	Israeli	Israeli
Education	1. Bachelor's degree in Natural Sciences, Hebrew University of Jerusalem. 2. MBA, Hebrew University of Jerusalem.	1. Bachelor's degree in Industrial Engineering and Management, Technion – Israel Institute of Technology. 2. M.Eng (Mechanical and Industrial Engineering), University of Toronto. 3. Graduate of the Advanced Management Program (AMP-ISMP) – Harvard Business School.
Commencement of term of office	December 29, 2019	December 29, 2019
Membership of Board committees	Audit Committee, Financial Statements Committee and Remuneration Committee	Audit Committee, Financial Statements Committee and Remuneration Committee
Employee of the corporation, subsidiary, related company or interested party	No	No
Occupation in the past five years	Business consultant (management, market development, strategic oversight, mentoring)	Corporate consultant (Lapidot Medical) (until 2021); Advisor to a startup entrepreneur (Tactile). Director of several companies
Other corporations in which he/she serves as a director	External director of Kafrit Industries (1993) Ltd. External director of Al-Bad Massuot Yitzhak Ltd. Director of Oran Palmach Tzuba ACC Ltd. Director of TAT Technologies Ltd.	Independent director of Ceragon Networks Ltd. External director of Globrands Group Ltd.
Kinship with another interested party in the corporation	No	No
Possesses accounting and financial expertise	No	Yes
Independent director	Yes	Yes

22. Regulation 26A: Senior Officers of the Corporation

Name	Term of office began in	I.D. no.	Title	D.O.B.	Education	Experience in the past 5 years	Position in the Company, subsidiary, a related company or interested party	Kinship with officer/ interested party
Sharon Goldenberg	November 2021	025191818	CEO and Market Risk Manager	1973	Bachelor's degree in Aeronautical Engineering, Technion – Israel Institute of Technology. MBA, Technion – Israel Institute of Technology.	VP Marketing & Sales in the Company VP Business Division	Chairman of the Board of subsidiaries MTFR, MTAU, MTUS and ECCXI Europe. Director of MTSP. Director of a second-tier subsidiary.	No
Meni Maymon	May 2010	025249012	CFO and Market Risk Manager	1973	CPA	CFO of the Company	Director of the subsidiaries MTFR, MTAU, MTUS and ECCXI Europe. Chairman of the Board of the subsidiary MTSP.	No
Franck Devik Sogaard	March 2019	Norwegian passport 34260722	VP Business Division and President of Americas, APAC and EMEA	1977	MBA in Internal Business, Finance Concentration.	President of a consulting firm. Senior VP for Fortune 500 companies; General Manager of a subsidiary; Global Director of Americas, APAC and EMEA.	President of Americas, APAC and EMEA; Director of subsidiaries and Chairman of the Board of a second-tier subsidiary	No
Yaniv Tamar	January 2016	025567454	Chief Quality Officer	1973	Bachelor's degree in Computer Science, Max Stern Academic College of Emek Yizre'el. MBA, Netanya Academic College.	Chief Quality Officer	-	No

Name	Term of office began in	I.D. no.	Title	D.O.B.	Education	Experience in the past 5 years	Position in the Company, subsidiary, a related company or interested party	Kinship with officer/ interested party
Guy Lipschitz	January 2017	029280559	COO and VP Supply Chain	1972	Bachelor’s degree in Business Administration, The Open University.	COO and VP Supply Chain	-	No
Orly Huberman	February 2020	023944549	CIO	1968	Bachelor’s degree in Business Administration, College of Management Academic Studies. MBA, Bar-Ilan University.	Colmobil Group, CIO, 2016-2020.	-	No
Galit Ginzburg	June 2021	28122844	Chief Human Resources Officer	1971	Bachelor’s degree in Psychology and English, University of Haifa. Master’s degree in Cognitive Psychology, University of Haifa.	Head of HR, PwC Israel	-	No
Hagit Makdonsky	November 2021	038245668	Chief Strategy Realization Officer (CSRO)	1975	Bachelor’s degree in Social Work, University of Haifa. MBA, Technion – Israel Institute of Technology.	Head of Business Operations	-	No
Stav Gizunterman	October 2022	308979582	Chief Solutions Officer	1981	B.Sc. in Communication Systems Engineering, Ben-Gurion University. MBA, Heriot-Watt University.	EVP Marketing & Sales, Orbit Communication Systems; CTO, Orbit Communication Systems.	-	No

Name	Term of office began in	I.D. no.	Title	D.O.B.	Education	Experience in the past 5 years	Position in the Company, subsidiary, a related company or interested party	Kinship with officer/ interested party
Merav Kabani[3]	May 2010	035952282	Group Controller	1979	Bachelor's degree in Economics and Accounting, University of Haifa, CPA. MBA, College of Management Academic Studies.	Group Controller	-	No
Eyal Yona[4]	February 2024	036040384	Group Controller	1979	Bachelor's degree in Economics and Accounting, Tel Aviv University. CPA.	Director of Financial Controls.	Director of a subsidiary	No
Daniel Shapira	November 2004	052755998	Internal Auditor	1954	Bachelor's degree in Accounting and Economics, Bar-Ilan University. CPA.	Owner of an accounting firm.	-	No
Nicolas Mouret	January 2022	French passport 14CF36422	CEO of a subsidiary	1977	MBA from Audencia School of Management; Bachelor's degree in Economics, University of Aix-en-Provence.	Deputy CEO at Oceasoft; director of Les Villages Clubs du Soleil.	CEO of the subsidiary MTFR	No
Chris Papageorgiou	January 2011	Australian passport 3919221N	Co-Managing Director and Chief Business Officer of a subsidiary	1974	Diploma studies in Accounting.	Co-Managing Director and Chief Business Officer of the subsidiary MTAU.	Co-Managing Director and Chief Business Officer of the subsidiary MTAU.	No

[3] After the reporting date, on January 31, 2024, Merav Kabani completed her tenure as an officer in the Company.
[4] After the reporting date, on February 1, 2024, Eyal Yona began serving as an officer in the Company.

Name	Term of office began in	I.D. no.	Title	D.O.B.	Education	Experience in the past 5 years	Position in the Company, subsidiary, a related company or interested party	Kinship with officer/ interested party
Daniel Joseph Kwaczynski	January 2011	Australian passport L4146910	Co-Managing Director of a subsidiary	1973	Bachelor's degree in Business and Engineering.	Co-Managing Director of the subsidiary MTAU.	Co-Managing Director of the subsidiary MTAU.	No

16. Regulation 26B: Independent Authorized Signatories

The Company has four independent authorized signatories, whose signature, together with the Company's stamp or its printed name, shall be binding upon the Company in all transactions or financial undertakings, provided, however, that the amount of the liability is not more than NIS 50,000.

17. Regulation 27: The Corporation's Auditor

Name of firm: Kost, Forer, Gabbay & Kasierer (EY Israel)
Address: 2, Sderot Pal-Yam, Brosh House, Haifa

18. Regulation 28: Changes in the Corporation's Articles of Association

No changes were made to the Memorandum or to the Articles of Association of the Company in the reporting year.

19. Regulation 29(A): Recommendations and Resolutions of the Board of Directors

Following are resolutions of the Board of Directors of the Company that do not require the approval of the General Meeting:

1. On March 21, 2023, the Board of Directors passed a resolution to distribute a cash dividend at a total amount of NIS 44 million and an amount of NIS 0.4015 per share. The dividend was paid on June 25, 2023.

2. On August 15, 2023, the Board of Directors passed a resolution to distribute a cash dividend at a total amount of NIS 50 million and an amount of NIS 0.4558 per share. The dividend was paid on September 28, 2023.

20. Regulation 29(C): Resolutions of Special General Meetings

Following are resolutions of a Special General Meeting:

1. On January 18, 2023, the General Meeting of the Company approved a salary increase for the CEO and the renewal and revision of the Company's Remuneration Policy, as described in the convening report of the meeting, dated November 29, 2022 and as amended on January 10, 2023 (reference no. 2023-01-005682), which is incorporated herein by reference.

2. On July 3, 2023, the General Meeting approved an allotment of Warrants to the Company CEO, as described in the convening report of the meeting, dated May 17, 2023 and as amended on June 21, 2023 (reference no. 2023-01-052842 and 2023-01-068013), which is incorporated herein by reference.

21. Regulation 29A: The Corporation's Resolutions with Respect to Special Transactions

Exemption and indemnification

See section 8(2)(a) above.

Insurance

See section 8(2)(b) above.

March 26, 2024		
Date of Approval of the Report	**Yonatan Bassi** **Chairman of the Board**	**Sharon Goldenberg** **Chief Executive Officer**