Maytronics Ltd.

Board of Directors' Report on the State of the Company's Affairs For the Period Ended December 31, 2024

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

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

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

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

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

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

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

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

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

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

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

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

2. Major events in and after the reporting period

2.1 The Company's position and the swimming pool market:

Over the past two years, the swimming pool market, including the pool cleaner segment, has been significantly impacted by several major factors, which have largely interacted and amplified one another and are reflected in the scope and mix of the Company's revenues:

1. The macroeconomic environment, which is characterized by high interest rates and rising inflation, and affected:

    a. The scope and nature of demand by pool owners, expressed in greater emphasis on reducing the costs of pool maintenance, a decline in new pool construction, mainly in North America and Europe, and softer demand for discretionary products.

    b. Inventory buildup patterns in the traditional distribution channel – distributors and dealers. This process, which began in the second half of 2022 following the need in the channel to destock surplus inventories that accumulated on the emergence from COVID-19, continued in the reporting year as part of tighter, more conservative management of inventory levels following the rising cost of financing its maintenance.

2. Extreme weather, leading to late-starting pool seasons in Europe and North America over the past two years, and overall, to short pool seasons. This has negatively impacted buyer sentiment across the entire value chain in the pool industry. However, these trends do not characterize the pool seasons observed over the past decades.

3. The growing strength of the online channel on account of traditional distribution channels, a trend that is supported by a broader offering of lower priced value propositions and pool owners becoming increasingly comfortable with online shopping.

    Growth in the online sales mix has several effects:

a. Competition has intensified significantly. The online channel is characterized by numerous Chinese players which have penetrated the market, offering value propositions across a broad price range, with substantial investments in digital marketing.

b. The eCommerce cost structure is expressed in a considerable increase in the variable OpEx mix, particularly selling and marketing expenses, which involve commissions to marketplaces and digital marketing expenses.

c. Significant growth, mainly at the lower end of the price range, which has contributed to increased penetration by the robotic solution on account of other cleaning solutions.

d. Expansion of the range of pool products sold online.

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

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

5. Expansion of ECCXI's agreements with leading manufacturers in the pool industry for the sale of a broader product portfolio via the ECCXI platform, while placing marketing emphasis on making market share gains in the related pool products segment.

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

7. Expansion of the value proposition of the robotic solution under the Dolphin brand. In 2023, the Company began marketing a new cordless robot family, the Liberty series. In 2025, the Company will be launching a new, advanced model in the Liberty series, the Liberty 600, designated for the high-price segment, which offers technological capabilities and significant advantages for the pool owner. The Company is now in the phases of advanced development of other state-of-the-art robots, which will be launched in the next few years.

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

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

   The Company's cost reduction targets arising from adjustments to the cost structure in robot production are 10%-15% of COGS until the end of 2026. The successful implementation of quick wins during the year led to a reduction in the direct cost of robot production estimated at 7%. The Company expects that the continued implementation of such initiatives will lead to a further reduction, estimated at 5%-6%, by the end of 2025.

   Additionally, from the second quarter through to the date of this report, the Company executed a cross-organizational process to tailor the structure and scope of OpEx. This initiative yielded a decrease in the operating expenses of approximately NIS 12.7 million in 2024. These steps and other efficiency enhancements will be reflected in a decrease of approximately NIS 40 million in 2025.

   The Company expects that in the first quarter of 2025, its revenue will be within a range of NIS 320 million to NIS 335 million. Additionally, in the full year of 2025, the Company anticipates a reduction of NIS 12 million to NIS 15 million in investments compared to 2024, and a NIS 80-100 million decrease in the inventory balance compared to December 31, 2024. In the Company's estimate, these improvements are expected to result in a free cash flow to net income ratio of at least 100%.

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

consolidated from the fourth quarter of 2024, under the safety products and related pool products segment, with no material effect on margins in this segment.

The transaction will be funded by the subsidiary through loans from local banks in Australia. The effect of said funding on the Group's consolidated debt ratios is inconsequential.

As part of the process of crafting the work plans for 2025 and onward, the Company revised its outlook in the robot segment and decided on a reduction in products in development that are not robots. The constellation of these processes led to the depreciation of assets across four spheres – investments made in water technologies, investment in the Poolside Connect solution, raw material inventory, and finished goods inventory. See section 3 below.

The Company's sales in the fourth quarter mainly reflect sales in the pool season in Australia and the Southern Hemisphere, and early-buy sales in advance of the season in North America and Europe.

Summary of the full year and fourth quarter in the major territories compared to the corresponding periods last year:

Oceania sales were up 6% compared to FY 2023 and down 7% compared to the corresponding quarter last year. North America sales were down 16% compared to 2023 and 26% compared to the corresponding quarter, and in Europe, sales declined by 17% compared to 2023 and by 25% compared to fourth quarter last year.

In a yearly summary, the Company's sales declined by 13.9%. Sales of residential pool robotic cleaners were down 20.9%, in the commercial (public) segment, robot sales were down 7.5%, and sales of safety products and related pool products increased by 16.6%.

The information in this section regarding expected developments in the coming year (with respect to both revenues and costs) is forward-looking information, and as such, is uncertain and may not materialize, in whole or in part, or may materialize differently than expected.

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

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

2.2 **Launch of a new product line:** On February 28, 2024, the Company announced that it had initiated a collaboration with Shenzhen Seauto Technologies Co. Ltd. of China ("**Seauto**") for the launch of a new battery-powered product line (which includes robots and basic vacuum cleaners) in the mid-to-low price range. The new robot line will be sold exclusively by the Company (in its major territories) under the Niya brand (owned by the Company), and delivers a unique value proposition to the end user that differs from the Dolphin brand. In the initial stage, the Company had planned to launch a number of models for sale in key markets via eCommerce. The new brand expands and strengthens the Company's value proposition. The new product line was launched in small quantities only toward the end of the second quarter, among other things due to the repercussions of the Swords of Iron War, and did not contribute significantly to the Company's revenues in the reporting period (for further information, see section 2.1 – 4 above).

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

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

2.4 On December 31, 2024, the Company's **order backlog** amounted to NIS 124.0 million, compared to a backlog of NIS 237.4 million on December 31, 2023, reflecting a decline of 48% in the backlog for the Company's products compared to last year.

The decline in backlog is also the result of realizing the strategy to transition to direct sales to the end user (DTC). In this context, there was a change in the mix and timing of revenue recognition between the quarters over the year, such that early-by sales to distributors, which in the past were recorded as backlog and largely reflected in revenues for the fourth quarter and first quarter (of the following year), are smaller. By contrast, these sales, made by the Company directly to the end user during the season, are expected to contribute to margin improvement in the second and third quarters (naturally, these sales are not recorded as backlog). This substantial change, combined with a continuing conservative buildup policy reflected in frequent, small orders, has led to a decline in order backlog.

For further information on the backlog, see sections 2.1.5, 2.2.5, and 2.3.3 in Part A, Description of the Corporation's business.

2.5 Foreign currency effects in the reporting period compared to the corresponding period last year: Changes in the exchange rates of major currencies in the fourth quarter (three months): The Euro, which accounted for 13% of the Company's sales, weakened on average by 3.4% against the Shekel; the US Dollar, which accounted for 56% of the Company's sales, weakened on average by 2.3% against the Shekel; and the Australian Dollar, which accounted for 30% of the Company's sales, weakened on average by 4% against the Shekel.

The effect of changes in exchange rates on sales, gross profit and operating profit compared to the corresponding quarter last year amounted to a decline of NIS 7.4 million in quarterly sales, a decline of NIS 2.2 million in gross profit, and an increase of NIS 0.6 million in operating profit.

In the full year compared to the corresponding period: The Euro, which accounted for 27% of the Company's sales, strengthened on average by 1.3% against the Shekel; the US Dollar, which accounted for 59% of the Company's sales, strengthened on average by 1.2% against the Shekel; and the Australian Dollar, which accounted for 12% of the Company's sales, weakened on average by 1% against the Shekel.

The effect of changes in exchange rates on sales, gross profit and operating profit compared to 2023 amounted to an increase of NIS 15.3 million in sales, an increase of NIS 8.8 million in gross profit, and an increase of NIS 6.9 million in operating profit.

2.6 Dividend distribution

2.6.1.1.1 On March 26, 2024, the Board of Directors of the Company declared a final cash dividend for 2023 at a total of NIS 25 million and NIS 0.2278 per share. The dividend was paid on June 27, 2024.

2.6.1.1.2 On August 20, 2024, the Board of Directors declared a cash dividend for 2024 at a total of NIS 20 million and NIS 0.1822 per share. The dividend was paid on October 15, 2024.

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

2.8 **Change of Chairman of the Board of Directors:** On March 26, 2024, the incumbent Chairman of the Board of Directors, Mr. Yonatan Bassi, announced that after serving as Chairman of the Board for 14 years, he wished to step down. Further to the foregoing, on May 8, 2024, the General Meeting approved the appointment of Mr. Ron Cohen (whose appointment was recommended to the General Meeting by the Board of Directors), a director of the Company representing Kibbutz Yizre'el – the controlling shareholder of the Company – as Mr. Bassi's successor. After the reporting period, on February 10, 2025, Mr. Cohen gave notice of his intention to step down as Chairman of the Board of Directors on the signing date of the financial statements (March 25, 2025), and on said date, the Board of Directors submitted a proposal to the Annual General Meeting for the appointment of a new chairman of the board.

2.9 **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.

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

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

3. Financial position

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

Item	**December 31**		**Explanations by the Company – balances as of December 31, 2024 compared to December 31, 2023**
	2024	**2023**	
	NIS thousands		
Cash and cash equivalents and short-term investments	104,675	148,764	A decline in cash and cash equivalents as part of working capital management and a reduction in interest-bearing credit.
Trade receivables	218,827	234,143	A decline of NIS 15.3 million in the trade receivables balance, largely due to the reduction in sales volumes in the fourth quarter. Average customer days in 2024 were 73 compared to 68 last year.
Trade payables	100,115	82,530	An increase of NIS 17.6 million, mostly due to the valuation of hedging transactions on payable balances and an increase in prepaid expenses and tax receivables, and conversely, the receipt of half of a grant receivable that was recognized due to the Swords of Iron War.

Item	**December 31**		**Explanations by the Company – balances as of December 31, 2024 compared to December 31, 2023**
	2024	**2023**	
	NIS thousands		
Inventory	837,796	971,824	A decline of NIS 134 million (14%), the combination of two trends according to the composition of the Company's remaining inventory: 1. Finished goods, raw material and work in process inventory in the robot category: the Company's steps taken to adjust the volume of this inventory led to a decline of NIS 177 million (21%). A decline of NIS 150.4 million is attributed to the Company's successful efforts to reduce inventory volumes, and the remainder is attributed to an impairment provision of NIS 26.6 million, as described below. During the quarter, the Company recorded a provision for raw material inventory impairment (mainly electronic items and several power supply models) at an amount of NIS 15.9 million following the update of production forecasts for the robot models to which those raw materials are relevant. The forecast was revised following an updated forecasts in the robot's segment, in relation to the mix, including the mix between generation of robotic cleaners families, and between corded/cordless models. In addition to decisions to reduce the product range in general, and the number of models in particular, as part of marketing and efficiency enhancement processes. Additionally, the Company recorded an impairment provision for returned finished goods inventory at an amount of NIS 10.7 million. This provision is the result of the decision to convert returned inventory of certain products into spare parts, and scrapping certain returned inventory following cost-effectiveness considerations, as well as efficiency enhancement efforts and optimal use of inventory in the Company and subsidiaries. These parts will serve for repairs in service centers in the different territories in lieu of stocking up on new extra spares. 2. The inventory level related to the safety and other related pool products segment, rose by NIS 43 million, of which NIS 10 million are attributed to the first-time consolidation of Focus, and the rest is mostly attributed to business growth in the segment in ECCXI. The Company continues to work to adjust the volume of inventory to the volume of demand and its production capacity, and is applying measures to further lower inventory volumes.
Total current assets	**1,261,413**	**1,437,261**	

Item	**December 31**		**Explanations by the Company – balances as of December 31, 2024 compared to December 31, 2023**
	2024	**2023**	
	NIS thousands		
Long-term debit balances	1,840	1,364	Essentially unchanged.

Fixed assets	237,676	229,564	The increase in fixed assets is largely due to investments in the Company’s sites in Dalton and on Kibbutz Yizre’el, including investments in office buildings and in machinery and equipment.
Right-of-use assets	173,111	152,361	The increase in ROU assets is due to an addition to the Company’s lease agreements, which mainly include buildings and vehicles, against the recording of a liability.
Intangible assets	366,477	317,171	On the one hand, intangible assets increased, mainly as a result of the recognition of intangible assets at an amount of NIS 52 million following the business combination arising from the acquisition of Focus by MTAU, as well as additional development costs that were capitalized between the periods, less amortization. On the other hand, in the quarter the Company recognized an impairment loss of NIS 15.7 million on a component of an intangible asset in the pool water monitoring and control segment in light of development focus in the segment, and the recognition of an impairment loss of NIS 5 million arising from the decision to discontinue sales of the Pool Side Connect product in light of consumer preferences, such as battery-powered robotic cleaners.
Deferred taxes	46,446	41,584	The tax asset is the result of timing differences in the Company and of cumulative losses for tax purposes in the French subsidiary, use of which is expected to be permitted in the future against taxable income.
Total non-current assets	**825,550**	**742,044**	
Total assets	**2,086,963**	**2,179,305**	

Item	**December 31**		**Explanations by the Company – balances as of December 31, 2024 compared to December 31, 2023**
	2024	**2023**	
	NIS thousands		
Bank credit	609,206	644,702	Short-term credit declined by NIS 35.5 million; short-term credit mainly serves to finance the Group's working capital requirements.
Trade payables	76,905	182,705	Trade payables declined by NIS 105.8 million, mainly in light of lower procurement volumes and inventory destocking.
Other accounts payable	149,245	122,364	Other accounts payable rose by NIS 26.9 million, largely due to an increase in the lability to purchasing organizations, countered by a decline in employee liabilities, accrued expenses, and customer bonuses payable.
Other current liabilities	74,378	58,138	Most of the increase is attributed to a deferred liability in light of the acquisition of Focus by MTAU.
Non-current liabilities	462,878	334,514	Most of the increase is attributed to an increase in long-term bank loans (NIS 65 million), and a deferred liability associated with the acquisition of the minority interest (30%) in ECCXI and the acquisition of Focus.
Total liabilities	**1,372,612**	**1,342,423**	
Equity attributable to shareholders of the Company	**660,963**	**758,224**	The decline in equity is mainly the result of recording a capital reserve from transactions with non-controlling interests following the acquisition of the minority interest in ECCXI in the reporting period, a decline in the foreign currency translation reserve, a net loss in the reporting period, and a dividend paid in the reporting period.
Non-controlling interests	**53,388**	**78,658**	On the date of the statement of financial position, non-controlling interests represent the non-controlling interests in MTFR and MTAU. The lower non-controlling interests are largely the result of the acquisition of the remaining minority interest in ECCXI in the reporting period.
Total equity	**714,351**	**836,882**	
Total liabilities and equity	**2,086,963**	**2,179,305**	

3.1 Liquidity ratios

	December 31, 2024	December 31, 2023
Working capital (NIS thousands)	351,679	429,352
Current ratio	1.39	1.43
Quick ratio	0.46	0.46

The decrease in the Company’s working capital and current ratio compared to December 31, 2023 is attributed to a reduction in inventory and a decline in cash balances, offset by a decrease in the balance of payables and short-term credit.

4. Operating results in NIS thousands

Following are the condensed income statements for the years 2022-2024:

Item	2024	2023	2022
Sales revenues	1,626,453	1,889,565	1,786,896
Gross profit **Gross margin**	586,161 36.0%	789,925 41.8%	718,309 40.2%
Operating profit **Operating margin**	37,242 2.3%	258,232 13.7%	292,690 16.4%
Net profit (loss) **Net margin**	(29,467) (1.8%)	163,559 8.7%	277,749 12.7%

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

	Year ended December 31		Year ended December 31			
	2024		2023			
1. **Segment revenues:**	**NIS thousands**	**% of total revenues**	**NIS thousands**	**% of total revenues**	**% change**	**Explanations**
Residential pool cleaners	1,162,337	71.5%	1,468,652	77.7%	(20.9%)	The decline in revenue in the private pool robotic cleaner segment is largely due to the following: (i) Macro environment effects that impacted volumes and patterns of consumption and inventory buildup among both pool owners and the traditional distribution channel; (ii) effects of extreme weather conditions in North America and Europe; (iii) growing intensity of the competition in the online arena and market penetration by Chinese players offering products covering a broad price range, with significant investments in digital marketing; (iv) and the effects of the Swords of Iron War, which, among other things, led to the postponement of product launches that had been planned for the season. See also section 2.1 above.
Public pool cleaners	102,489	6.3%	110,781	5.9%	(7.5%)	The decline is largely attributed to the fact that half-yearly sales in 2023 in the public segment grew 60%, reflecting an anomalous sales level that was the result of the recovery of the hotel and tourism industry on the emergence from the pandemic.
Safety products and related pool products	361,627	22.2%	310,132	16.4%	16.6%	Growth is largely due to increased sales of related pool products by ECCXI and the first-time consolidation of Focus. See also section 2.1 above. And also in Note 5 to the financial statements.
Total revenues	**1,626,453**	**100.0%**	**1,889,565**	**100.0%**	**(13.9%)**	
2. **Segment results:**	**NIS thousands**	**Gross margin**	**NIS thousands**	**Gross margin**	**% change**	
Residential pool cleaners	426,881	36.7%	625,240	42.6%	(31.7%)	The decline in gross profit and is rate is attributed to a decline in revenues and the gross margin. The decline in the gross margin is attributed to the relative increase in indirect costs due to lower production volumes, a decline in the ASP (average selling price) following adjustment of the sell-out prices of several models last year, and the reduction of raw material and finished goods inventories, as described in section 3 above. Excluding the effects of inventory destocking, the gross margin is 39.1%. By contrast, a successful reduction of 7% in product component costs as part of the Company's efficiency optimization program contributed to an improvement in the gross margin.
Public pool cleaners	56,645	55.3%	61,592	55.6%	(8.0%)	The slight decline in gross profit is attributed to revenue decline.
Safety products and related pool products	102,635	28.4%	103,093	33.2%	(0.4%)	Revenues increased but were countered by a decline in the gross margin, largely attributed to the mix of products sold, higher operating costs in the production of pool covers in France, and expansion of operating infrastructure in ECCXI.
Gross profit	**586,161**	**36.0%**	**789,925**	**41.8%**	**(25.8%)**	

	Three months ended December 31		Three months ended December 31			
	2024		2023			
1. **Segment revenues:**	**NIS thousands**	**% of total revenues**	**NIS thousands**	**% of total revenues**	**% change**	**Explanations**
Residential pool cleaners	159,140	65.6%	231,418	76.2%	(31.2%)	A decline in sales before the start of the season in North America and Europe in light of a more cautious buildup by the distribution channel, and a decline in online sales in North America. Additionally, a moderate decline in Australia, which was offset by the first-time consolidation of Focus.
Public pool cleaners	21,628	8.9%	21,073	6.9%	2.6%	Essentially unchanged.
Safety products and related pool products	61,855	25.5%	51,246	16.9%	20.7%	Growth is largely due to the first-time consolidation of Focus. See Note 5 to the financial statements.
Total revenues	**242,623**	**100.0%**	**303,737**	**100.0%**	**(20.1%)**	
2. **Segment results:**	**NIS thousands**	**Gross margin**	**NIS thousands**	**Gross margin**	**% change**	
Residential pool cleaners	9,840	6.2%	79,955	34.6%	(87.7%)	The decline in gross profit and is rate is attributed to a decline in revenues and in the gross margin. The decline in the gross margin in the quarter is largely attributed to a reduction in raw material and finished goods inventory as described above, and also to an increase in relative indirect costs in light of lower production volumes. Excluding the above effects, the gross margin is 28%.
Public pool cleaners	12,295	56.9%	12,254	58.2%	0.3%	Essentially unchanged.
Safety products and related pool products	17,232	27.9%	16,016	31.3%	7.6%	Increase due to first time consolidation contribution from Focus but was countered by a decline in the gross margin, which is largely attributed to the mix of products sold, higher operating expenses in the production of pool covers in France, and the expansion of operating infrastructure in ECCXI.
Gross profit	**39,367**	**16.2%**	**108,225**	**35.6%**	**(63.6%)**	

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

Item	Year ended December 31, 2024	Year ended December 31, 2023	% change	Main explanations
Research and development expenses	47,430	55,060	(13.9%)	The decline in development costs is mainly attributed to downsizing in the development activity in the pool water monitoring, control and treatment segment in light of focused development efforts in the segment. Development costs in this segment in the reporting period amounted to NIS 6.8 million, compared to NIS 13.6 million last year. By contrast, the Company recorded an increase in gross development costs in the robot segment as part of its strategy to maintain its position as technological leader in this segment and in view of the launch of a new robot generation in the coming years.
Selling and marketing expenses	330,402	332,562	(0.6%)	Selling and marketing expenses remained essentially unchanged year-over-year, but include a number setoffs that affected this item. A decline of 4% in the cost of wages and accompanying benefits as a result of efficiency enhancement and a decrease in shipping costs were offset by an increase in the expenses of marketing and promotional campaigns, mostly in ECCXI.
General and administrative expenses	150,076	144,339	3.9%	The higher G&A expenses are the result of recording salary expenses due to a contingent liability at an amount of NIS 2.2 million related to the acquisition of the minority interest in ECCXI, a one-time bonus of NIS 5.5 million received in MTUS last year following the pandemic, as well as the expenses of acquiring the remaining minority interest in ECCXI and transaction costs in respect of the acquisition of Focus, which amounted to NIS 1.1 million. The consolidation of Focus contributed NIS 1 million. It is noted that lower current wage costs were recorded due to efficiency enhancements, at a rate of 9% and an amount of NIS 6.3 million.
Other expenses (income), net	21,011	(268)	-	Includes an impairment loss of NIS 15.7 million on a component of an intangible asset in the pool water monitoring and control segment in light of a revision and development focus in the segment, and an impairment loss of NIS 5 million arising from the decision to discontinuation of product sales of Poolside Connect project due to consumer preferences, such as battery-powered robotic cleaners.
Operating profit	**37,242**	**258,232**	(85.6%)	Operating profit declined due to the decline in gross profit and the gross margin.
Financing expenses, net	50,972	66,339	(23.2%)	Net financing expenses declined, largely due to the effect of changes in exchange rates on foreign currency balances and the valuation of hedging transactions. This was offset by an increase in interest expenses.
Profit (loss) before taxes	**(13,730)**	**191,893**	**-**	The decline is due to the decline in operating profit.
Taxes on income	15,737	28,334	(44.5%)	The effective tax rate rose in the current period due to a change in the profit mix between the companies in the group.
Net profit (loss)	**(29,467)**	**163,559**	**-**	-

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

Item	**Three months ended December 31, 2024**	**Three months ended December 31, 2023**	**% change**	**Main explanations**
Research and development expenses	11,141	12,413	(10.2%)	The decline in development costs is mainly attributed to a reduction in development work in the pool water monitoring, control and treatment segment. Development expenses in this segment amounted to NIS 1.2 million in the quarter, compared to NIS 3 million in the same quarter last year.
Selling and marketing expenses	57,472	57,211	0.5%	Selling and marketing expenses were essentially unchanged quarter-on-quarter, but included a number of setoffs that affected this item. A decline in shipping costs and campaigns and sales promotion was offset by the expenses of the Lyon exhibition and the consolidation of Focus. It is noted that lower current wage costs were recorded due to efficiency enhancements, at a rate of 5%.
General and administrative expenses	42,092	38,743	8.6%	The increase in G&A expenses is due to salary expenses recorded as a result of a contingent liability associated with the acquisition of the minority interest in ECCXI, transaction costs in respect of the acquisition of Focus, and an increase in the expenses of a provision for a doubtful debt. The consolidation of Focus contributed NIS 1 million to expenses. It is noted that a decline in current salary costs was recorded due to efficiency enhancements, at a rate of 6%.
Other expenses (income), net	20,762	(209)	-	Includes an impairment loss of NIS 15.7 million on a component of an intangible asset in the pool water monitoring and control segment in light of a revision and development focus in the segment, and an impairment loss of NIS 5 million arising from the decision to discontinuation of product sales of Poolside Connect project due to consumer preferences, such as battery-powered robotic cleaners.
Operating profit (loss)	**(92,100)**	**67**	**-**	
Financing expenses, net	4,130	15,940	(74.1%)	Net financing expenses declined, largely due to the effect of changes in exchange rates on foreign currency balances and the valuation of hedging transactions
Loss before taxes	**(96,230)**	**(15,873)**	-	
Tax benefit (expense)	2,008	(4,484)	-	
Net loss	**(94,222)**	**(20,357)**	-	

5. Cash flows

Item	Year ended December 31		Explanations
	2024	2023	
	NIS thousands		
Cash flows provided by operating activities	129,538	164,375	The decline in the operating cash flow is lower than the decline in net profit year-over-year, mainly as a result of the Company's continued inventory destocking measures, by an amount of NIS 110 million in the full year.
Cash flows used in investing activities	(129,189)	(133,885)	The decline in the cash flow from investing activities is due to a reduction of NIS 18.5 million in fixed assets as part of efficiency enhancements by the Company throughout the year, as well as payment of a lower deferred contingent consideration. This was partly offset by an increase in the cash flow as a result of the acquisition of Focus, which was consolidated for the first time.
Cash flows used in financing activities	(49,791)	(25,409)	An increase of NIS 35 million in net credit, compared to an increase of NIS 102.6 in net credit last year, countered by the payment of a dividend of NIS 45 million, compared to NIS 94 million in 2023.
Exchange rate differences related to cash and cash equivalents	5,802	25	-
Translation differences related to cash of foreign operation	(1,965)	4,047	-
Change in cash and cash equivalents	**(45,605)**	**9,153**	**-**
Cash and cash equivalents at end of period	**84,439**	**130,044**	**-**

B. Market risk exposure and risk management

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

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

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

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

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

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

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

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

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

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

	USD-linked	EUR-linked	AUD-linked	CPI-linked	Unlinked and other	Non-financial instru-ment	Total
	NIS thousands						
Assets							
Cash and cash equivalents	15,881	45,179	21,383	-	1,996	-	84,439
Short-term investments	249	-	-	8,085	11,902	-	20,236
Trade receivables, net	128,271	31,880	52,655	-	6,021	-	218,827
Other accounts receivable	16,116	7,421	3,002	-	54,510	19,066	100,115
Inventory	-	-	-	-	-	837,796	837,796
Long-term deposits and debit balances	-	699	1,141	-	-	-	1,840
Fixed assets, net	-	-	-	-	-	237,676	237,676
Right-of-use assets, net	-	-	-	-	-	173,111	173,111
Intangible assets, net	-	-	-	-	-	366,477	366,477
Deferred taxes, net	-	-	-	-	-	46,446	46,446
Total assets	**160,517**	**85,179**	**78,181**	**8,085**	**74,429**	**1,680,572**	**2,086,963**
Liabilities							
Short-term credit	305,221	3,250	21,376	-	279,359	-	609,206
Trade payables	27,660	11,379	9,033	-	28,833	-	76,905
Other accounts payable	20,357	20,100	11,556	-	44,369	66,001	162,383
Lease liabilities	-	-	-	-	-	182,501	182,501
Deferred liability in respect of the purchase of shares of consolidated companies	39,501	-	32,603	-	-	-	72,104
Deferred taxes	-	-	-	-	-	408	408
Employee benefits liability, net	-	-	-	-	-	5,247	5,247
Contingent liability in respect of the purchase of shares of a consolidated company	-	-	2,524	-	-	-	2,524
Other liabilities	41,728	5,333	26,348		187,925	-	261,334
Total liabilities	**434,467**	**40,062**	**103,440**	**-**	**540,486**	**254,157**	**1,372,612**
Net balance	**(273,950)**	**45,117**	**(25,259)**	**8,085**	**(466,057)**	**1,426,415**	**714,351**

Statement of financial position according to linkage bases as of 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
Employee benefits liability, net	-	-	-	-	-	2,991	2,991
Contingent liability in respect of the purchase of shares 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**

Derivative financial instruments:

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

On December 31, 2024:

			Par value in source currency, in thousands		
	Currency	**Maturity / expiration date**	**Long**	**Short**	**Fair value NIS thousands**
Foreign currency futures	EUR/ILS	1-12/2025	52,500	66,000	10,746
	AUD/ILS	1-12/2025	-	25,300	4,316
	USD/ILS	1-12/2025	-	17,000	1,343

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

Sensitivity tests on financial instruments as of December 31, 2024

The Company performed four sensitivity tests as of the date of the statement of financial position 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 that 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 4.012 to USD 1	**+5%** NIS 3.829 to USD 1	**Fair value** NIS 3.647 to USD 1	**-5%** NIS 3.465 to USD 1	**-10%** NIS 3.282 to USD 1
Cash and cash equivalents	1,588	794	15,881	-794	-1,588
Short-term investments	25	12	249	-12	-25
Trade and other receivables	14,439	7,219	144,387	-7,219	-14,439
Short-term credit	-30,522	-15,261	-305,221	15,261	30,522
Trade and other payables	-4,802	-2,401	-48,017	2,401	4,802
Long-term loan	-4,101	-2,051	-41,010	2,051	4,101
Total	**-23,373**	**-11,688**	**-233,731**	**11,688**	**23,373**

2. Table specifying the changes in the fair value of financial instruments that 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 4.176 to EUR 1	**+5%** NIS 3.986 to EUR 1	**Fair value** NIS 3.796 to EUR 1	**-5%** NIS 3.607 to EUR 1	**-10%** NIS 3.417 to EUR 1
Cash and cash equivalents	4,518	2,259	45,179	-2,259	-4,518
Trade and other receivables	3,930	1,965	39,301	-1,965	-3,930
Short-term credit	-325	-163	-3,250	163	325
Trade and other payables	-3,148	-1,574	-31,479	1,574	3,148
Long-term loan	-453	-227	-4,533	227	453
Total	**4,522**	**2,260**	**45,218**	**-2,260**	**-4,522**

3. Table specifying the changes in the fair value of financial instruments that 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 2.491 to AUD 1	**+5%** NIS 2.377 to AUD 1	**Fair value** NIS 2.264 to AUD 1	**-5%** NIS 2.151 to AUD 1	**-10%** NIS 2.038 to AUD 1
Cash and cash equivalents	2,138	1,069	21,383	-1,069	-2,138
Trade and other receivables	5,566	2,783	55,657	-2,783	-5,566
Short-term credit	-2,138	-1,069	-21,376	1,069	2,138
Trade and other payables	-2,059	-1,029	-20,589	1,029	2,059
Long-term loan	-2,550	-1,275	-25,497	1,257	2,550
Total	**957**	**479**	**9,578**	**-479**	**-957**

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

	Profit from changes (NIS thousands)		NIS thousands	Loss from changes (NIS thousands)	
	+10% 119.2 points	**+5%** 113.8 points	**Fair value** 108.4 points	**-5%** 103.0 points	**-10%** 97.6 points
Short-term investments	809	404	8,085	-404	-809
Total	**809**	**404**	**8,085**	**-404**	**-809**

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 32 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 2024, the internal auditor was paid a fee of NIS 177 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 consistent 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 2024 refers to the Company and its subsidiaries and was created and approved by the Board of Directors' Audit Committee at the internal auditor's recommendation, together with Company management, noting the risk survey performed by the Company, such that the majority of the 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 briefings, as 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 2024, the internal auditor performed 8 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 dedicated to the discussion of the internal audit reports. The meetings included the 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.

The reports addressed the following subjects:

- An internal audit of inventory management in a subsidiary in Australia. The audit was performed in May-July 2024, and presented to the Audit Committee for discussion on August 18, 2024.
- An internal audit of bank accounts in a subsidiary in Australia, performed in May-July 2024, and presented to the Audit Committee for discussion on August 18, 2024.
- An internal audit of the implementation of the recommendations presented in an audit report concerning logistics and shipping, which was performed in 2021. The audit was performed in June-July 2024 and presented to the Audit Committee for discussion on August 18, 2024.
- An internal audit of construction projects at the Yizre'el site. The audit was performed in June-September 2024 and presented to the Audit Committee for discussion on December 10, 2024.
- An internal audit of procurement and payments in a subsidiary in Germany. The audit was performed in August-November 2024 and presented to the Audit Committee for discussion on December 10, 2024.
- An internal audit of the implementation of the recommendations presented in an audit report concerning information security and cybersecurity, which was performed in 2022. The audit was performed in September-November 2024 and presented to the Audit Committee for discussion on December 10, 2024.
- An internal audit of research and development. The audit was performed in October 2024-February 2025 and presented to the Audit Committee for discussion on March 11, 2025.
- An internal audit of sales and collection in a subsidiary in Germany. The audit was performed in September-December 2024 and presented to the Audit Committee for discussion on March 11, 2025.

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, together 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 in 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 2024 and 2023 for audit services, audit-related services and tax services amounted to NIS 973 thousand and NIS 957 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 the field in which it is engaged, the appropriate minimum number of directors with accounting and financial expertise will be at least two directors.

As of the date of this report, 5 directors have accounting and financial expertise: Mr. Shlomo Liran, Mr. Ariel Brin-Dolinko, Mr. Idan Zelas, Mr. Arik Shor and Ms. Shirith Kasher. For information 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) (the "**Companies Law**") serving on the Company's Board of Directors from time to time. However, on April 21, 2024, the Company announced that it intends to maintain the board composition recommended in the First Schedule to the Companies Law, i.e., one-third of the directors are independent directors.

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, in addition to two external directors.

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 2024, the Company donated approximately NIS 137 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 those assumptions and estimates, see Note 3 to the financial statements.

		March 25, 2025
Ron Cohen Chairman of the Board	Sharon Goldenberg Chief Executive Officer	Date of approval of the Board of Directors' Report

MAYTRONICS LTD.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2024

NIS in thousands

(AUDITED)

CONSOLIDATED BALANCE SHEETS

	December 31, 2024	December 31, 2023
	Audited	
	NIS in thousands	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	84,439	130,044
Short-term investments	20,236	18,720
Trade receivables, net	218,827	234,143
Other accounts receivable	100,115	82,530
Inventory	837,796	971,824
	1,261,413	1,437,261
NON-CURRENT ASSETS:		
Long-term receivables	1,840	1,364
Fixed assets, net	237,676	229,564
Right-of-use assets, net	173,111	152,361
Intangible assets, net	366,477	317,171
Deferred taxes, net	46,446	41,584
	825,550	742,044
	2,086,963	2,179,305

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2024	2023
	Audited	
	NIS in thousands	
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Credit from banks	609,206	644,702
Current maturities of lease liability	30,047	28,070
Current maturities of deferred liability of acquired subsidiary	29,742	-
Deferred contingent consideration from acquired subsidiary	1,451	11,548
Trade payables	76,905	182,705
Income taxes payable	1,674	1,610
Other accounts payable	149,245	122,364
Provisions	11,464	16,910
	909,734	1,007,909
NON-CURRENT LIABILITIES:		
Loans from banks	255,821	190,409
Lease liability	152,454	132,637
Deferred contingent consideration from acquired subsidiary	1,073	-
Deferred liability consideration from acquired subsidiary	42,362	-
Employee benefit liabilities, net	5,247	2,991
Other long-term liabilities	5,513	6,786
Deferred taxes	408	1,691
	462,878	334,514
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:		
Share capital	11,260	11,257
Share premium	119,397	119,018
Treasury shares	(500)	(500)
Retained earnings	530,280	609,428
Capital reserve from share-based payment transactions	37,896	30,775
Capital reserve from transactions with controlling shareholder	164	164
Capital reserve from remeasurement of defined benefit plans	1,125	1,038
Revaluation surplus	2,147	2,147
Capital reserve from transactions with non-controlling interests	(20,749)	(6,895)
Adjustments arising from translating financial statements of foreign operations	(20,057)	(8,208)
	660,963	758,224
Non-controlling interests	53,388	78,658
Total Equity	714,351	836,882
	2,086,963	2,179,305

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,		
	2024	2023	2022
	Audited		
	NIS in thousands (except earnings per share data)		
Revenues from sales	1,626,453	1,889,565	1,786,896
Cost of sales	1,040,292	1,099,640	1,068,587
Gross profit	586,161	789,925	718,309
Research and development expenses	47,430	55,060	52,641
Selling and marketing expenses	330,402	332,562	238,088
General and administrative expenses	150,076	144,339	134,919
Other expenses (income), net	21,011	(268)	(29)
Operating income	37,242	258,232	292,690
Financial income	13,811	33,166	15,689
Financial expenses	(64,783)	(99,505)	(44,644)
Income (loss) before taxes	(13,730)	191,893	263,735
Taxes on income	15,737	28,334	35,986
Net income (loss)	(29,467)	163,559	227,749
Adjustments arising from translating financial statements of foreign operations	(14,039)	18,323	23,908
Remeasurement gain from defined benefit plans	87	650	2,042
Total other comprehensive income (loss)	(13,952)	18,973	25,950
Total comprehensive income (loss)	(43,419)	182,532	253,699
Net income (loss) attributable to:			
Equity holders of the Company	(34,148)	148,249	218,296
Non-controlling interests	4,681	15,310	9,453
	(29,467)	163,559	227,749
Total comprehensive income (loss) attributable to:			
Equity holders of the Company	(44,153)	164,411	240,699
Non-controlling interests	734	18,121	13,000
	(43,419)	182,532	253,699
Net basic earnings per share attributable to equity holders of the Company (in NIS):	(0.31)	1.35	2.00
Net diluted earnings per share attributable to equity holders of the Company (in NIS):	(0.31)	1.35	1.99

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2024	2023	2022
		Audited	
		NIS in thousands	
Cash flows from operating activities:			
Net income (loss)	(29,467)	163,559	227,749
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Taxes on income	26,587	40,840	57,931
Deferred taxes, net	(541)	548	(13,499)
Financial expenses, net	60,336	62,045	18,105
Depreciation and amortization	93,968	88,426	69,678
Impairment of an intangible asset	20,741	10,600	-
Cost of share-based payment	7,500	13,708	11,311
Revaluation of options to Kibbutz members	(211)	(140)	(2,068)
Increase (decrease) in employee benefits liabilities, net	2,384	(618)	1,853
Interest accrued on long-term deposit and exchange differences from investments	(583)	166	(188)
Capital loss (gain) from sale of fixed assets	263	(183)	391
Revaluation of securities measured at fair value through profit or loss, net	(1,126)	(663)	1,962
Revaluation of derivatives	(8,970)	(30,550)	47,185
Deferred Contingent consideration from acquired subsidiary	-	(1,865)	-
Deferred liability consideration from acquired subsidiary	(1,004)	-	-
Exchange differences from cash and cash equivalents	(5,802)	(25)	(6,098)
	193,542	182,289	186,563
Changes in asset and liability items:			
Decrease (increase) in trade receivables	21,838	(40,889)	(55,189)
Decrease (increase) in other accounts receivable (including long-term)	3,933	(10,394)	7,793
Decrease (increase) in inventories	137,311	67,179	(360,183)
decrease in trade payables	(108,888)	(73,916)	(166,597)
Increase (decrease) in other accounts payable, provisions and taxes payable	2,507	(23,471)	15,099
Increase (decrease) in other liabilities	(4,315)	2,903	4,052
	52,386	(78,588)	(555,025)
Cash paid and received during the period for:			
Interest and dividend received	375	459	459
Interest paid	(60,711)	(62,504)	(18,564)
Taxes paid	(26,587)	(40,840)	(57,931)
	(86,923)	(102,885)	(76,036)
Net cash provided (used in) by operating activities	129,538	164,375	(216,749)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2024	2023	2022
		Audited	
		NIS in thousands	
Cash flows from investing activities:			
Purchase and capitalization of intangible assets	(49,908)	(48,723)	(59,059)
Purchase of fixed assets	(43,237)	(61,809)	(58,311)
Proceeds from sale of fixed assets	717	476	204
Receipt of investment grants	-	3,734	-
Acquisition of first time consolidated subsidiary (B)	(24,604)	-	3,029
Repayment of deferred liability of acquired subsidiary	-	(27,123)	(16,538)
Repayment of deferred contingent of acquired subsidiary	(11,767)	-	-
Proceeds from sell (purchase of) securities measured at fair value through profit or loss, net	(390)	(440)	41
Net cash used in investing activities	(129,189)	(133,885)	(130,634)
Cash flows from financing activities:			
Proceeds from exercise of options	3	28	19
Receipt of short-term credit, net	(56,168)	159,999	145,944
Receipt of long-term loan	179,872	12,056	270,000
Repayment of long-term loan	(88,774)	(69,409)	(46,146)
Dividend paid to shareholders of the Company	(45,000)	(94,000)	(125,010)
Dividend paid to non-controlling interests	(10,887)	(4,640)	(4,100)
Repayment of lease liability	(28,837)	(29,443)	(23,303)
Net cash provided by (used in) financing activities	(49,791)	(25,409)	217,404
Exchange differences on balances of cash and cash equivalents	5,802	25	6,098
Translation differences from cash balances of foreign operations	(1,965)	4,047	6,993
Increase (decrease) in cash and cash equivalents	(45,605)	9,153	(116,888)
Cash and cash equivalents at the beginning of the year	130,044	120,891	237,779
Cash and cash equivalents at the end of the year	84,439	130,044	120,891

(A) Significant non-cash transactions:

	2024	2023	2022
Purchase of fixed assets and intangible assets on credit	2,290	3,368	18,059
Recognition of the right of use assets against lease liability	50,895	37,891	59,962
Deferred liability of acquisition subsidiary	35,163	-	24,751
Acquisition of non-controling interests against a deferred liability	30,728	-	-

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2024	2023	2022
		Audited	
		NIS in thousands	
(B) Acquisition of first-time consolidated subsidiary:			
Working capital (excluding cash and cash equivalents)	(10,691)	-	32,427
Fixed assets	(2,277)	-	(769)
Right-of-use assets	(2,815)	-	(6,896)
Intangible assets	(26,676)	-	(47,705)
Goodwill	(25,283)	-	(36,229)
Deferred tax assets	(637)	-	-
Lease liability	2,499	-	7,000
Deferred liability	35,163	-	24,751
Deferred Contingent consideration	2,723	-	12,791
Loans	688	-	-
Deferred tax liability	2,702	-	-
Non-controlling interests		-	17,659
	(24,604)	-	3,029