Unofficial Translation from Hebrew

Maytronics Ltd.

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

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

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

Maytronics Ltd. and its subsidiaries (the "**Company**") specialize in the development, manufacture and marketing of robotic cleaners for residential and public swimming pools, and in the development, manufacture and marketing of automatic swimming pool covers, drowning detection systems, and the marketing of additional supplementary products for swimming pools. The Company's business is export-based, and 98% of the Company's revenues are generated from sales and services outside of Israel. Global distribution of the Company's products is largely carried out by external distributors and through subsidiaries. Distribution in the United States is carried out by Maytronics US, a subsidiary based in Atlanta, Georgia ("MTUS"), and by ECCXI, an MTUS subsidiary (acquired in 2022, as described in section 2.2 below); in France, by the subsidiary Maytronics France ("MTFR") and by external distributors; in Australia, through the subsidiary Maytronics Australia ("MTAU"); and in Germany, through the subsidiary Bünger & Frese ("BF") as well as external distributors. The Company is significantly affected by seasonality, and 64% of its sales in 2022, and most of its profits, were generated in the first half of the year. This seasonality arises from the fact that most of the Company's sales are made in the Northern Hemisphere, where use of home pools begins around April-May and ends around September. Accordingly, the Company's customers (primarily distributors) buy most of the products for their inventory from December/January to July. In general, the distributors themselves sell most of the products from March until the season closes at summer's end. However, robotic cleaners for private pools are manufactured continuously all year round, and the second half of the year is more strongly characterized by the production of inventory for the upcoming season (with respect to the practices of the Company's customers in their business with the Company and with the Company's customers, inventory levels and production management in the reporting period, which differ from past years, additional information is provided below).

The Company is a global leader in its main operating segment, robots for private pools, and estimates that its share of the global market in this segment is around 48%. The Company invests in the development and improvement of its products to retain its technological leadership and to penetrate new market segments.

2. Major events in and after the reporting period

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

Since the beginning of 2023, the swimming pool market has been impacted by three main factors: first, a substantial change in inventory buildup patterns in the distribution channel, a process that began in the second half of 2022 and is reflected in the need by distributors and dealers to destock surplus inventories that accumulated in the first half of 2022, and in a shift to smaller and more frequent orders in their efforts to cope with high interest rates and achieve tighter, more conservative working capital management. Additionally, the inflationary environment and high interest rates are taking their toll on consumer spending. Finally, extreme weather since the start of 2023, mainly in North America, in most US states and also in Europe, led to a late start to the pool season in the Northern Hemisphere. All these caused an increase in the Company's finished goods inventory in the past year, and accordingly, the Company cut back on production (compared to the pace of production in the corresponding period last year).

The Company's sales in the second quarter grew 28.8% compared to the corresponding period and declined by 1.2% excluding the effects of the first-time consolidation of ECCXI. Sales in the residential pool segment in the quarter were up 17% compared to last year, and in the commercial (public) pool segment, the Company experienced an increase in demand, which in the second quarter translated into 53% sales growth. Sales of safety products and other related pool equipment rose by 135% in the quarter, mainly as a result of the ECCXI consolidation. In the half year, the Company's sales increased by 10.4%, and excluding the effects of the ECCXI consolidation, declined by 3.9%.

The Company's sales in North America grew 73% in the second quarter (up 9% excluding ECCXI); in Europe, sales in the quarter declined by 14%; and in Oceania, sales were unchanged. In the half-year period, in North America sales grew 39%, declined by 18% in Europe and remained stable in Oceania, compared to the corresponding period last year.

Alongside the challenges posed by demand in the distribution channel, the results for the first half of 2023 reflect sustained end-user demand for the Company's products, the strength of the Dolphin brand and the Company's strong eCommerce capabilities, thanks, among other things, to the acquisition of ECCXI.

At the same time, the above market characteristics, mainly the change in inventory buildup patterns in the distribution channel and the very late start to the pool season in the Northern Hemisphere, impacted the results for the first half-year and are expected to leave their mark on the timing of purchases in the second half, including early-buy distributor purchases for the 2024 season. The outlook is that some of these purchases will be pushed back to the first half of 2024, and this is expected to affect business volumes in the second half of 2023 in relation to the Company's initial plans. Consequently, and in light of the results for the first half-year, the Company has revised its revenue forecast (as stated in section 3.18 in the Description of the Corporation's Business for 2022), and estimates revenue growth within a range of 5% to 13%[1].

[1] According to current exchange rates.

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

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

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

	Q2 2023 (USD thousands)	**Q2 2022 (USD thousands)**	**H1 2023 (USD thousands)**	**H1 2022 (USD thousands)**
Revenues	78,893	75,844	99,778	94,595
Gross profit	21,075	20,949	27,202	26,725
Operating profit	4,367	4,844	5,346	5,714

ECCXI has delivered revenue growth in a challenging year for the pool industry, of 4% in the second quarter and 5% in the first half. The slight decline in profit is largely attributed to the mix of products sold.

General note: Various financial data in this report incorporate ECCXI's contribution to the Group's overall results and financial position, and accordingly, any comparison to the figures for last year should take this into consideration.

2.3 On June 30, 2023, the Company's **order backlog**, which is intended for sale in 2023, amounted to NIS 129.8 million compared to an order backlog of NIS 399.4 million on June 30, 2022, reflecting a decline of 67% in relation to last year. As a reference point, it is noted that on June 30, 2020 and June 30, 2019, before the outbreak of COVID-19, the order backlog was NIS 86.2 million and NIS 77.2 million, respectively. The decrease in backlog reflects the perpetuation of the trend that began in the second half of 2022 following the change in inventory buildup patterns in the distribution channel, which is reflected in a return to placing orders for inventory close to the planned selling date. It is

noted that the first-time consolidation of ECCXI is not reflected in the order backlog since ECCXI's sales are made online, directly to the consumer.

2.4 **Effect of exchange rates** in the reporting period compared to the corresponding period last year:

Changes in the exchange rates of major currencies in the second quarter (three months): The Euro, which accounted for 31% of the Company's sales, strengthened on average by 11.4% against the Shekel; the US Dollar, which accounted for 63% of the Company's sales, strengthened on average by 7.5% against the Shekel; and the Australian Dollar, which accounted for 3% of the Company's sales, strengthened by 2%. The effect of changes in exchange rates on sales, gross profit and operating profit compared to the corresponding quarter last year amounted to an increase of NIS 55 million in sales, and an increase of NIS 27.6 million in gross profit and of NIS 23.5 million in operating profit. It is noted that in the second quarter, the Company recognized net finance expenses of NIS 1.6 million in respect of foreign currency effects (expenses of foreign currency hedges, offset by foreign exchange gains).

2.5 **Term of office and appointment of directors:** On May 16, 2023, Mr. Shimon Zelas completed his service as a director in the Company, and on the same date, Mr. Elad Ilan was appointed to the Board of Directors as his replacement. For further information, see the Immediate Reports of May 17, 2023 (reference no. 2023-01-052791 and 2023-01-052794, respectively, which are incorporated by reference).

2.6 **Dividend distribution:** On June 25, 2023, a final cash dividend for 2022 was paid, at a total of NIS 44 million and NIS 0.4015 per share. The dividend was approved by the Board of Directors on March 21, 2023. The total dividend for 2022 is NIS 109 million.

Furthermore, after the reporting period, on August 15, 2023, the Board of Directors approved an interim cash dividend for 2023 at a total of NIS 50 million and NIS 0.4558 per share, to be paid on September 28, 2023.

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

Further to the above, after the reporting date, on July 3, 2023, the Annual General and Special Meeting of the Company approved an allotment of 110,000 non-marketable and non-transferable warrants, exercisable for up to 110,000 registered ordinary shares of the Company of NIS 0.1 par value each, to the Company CEO, Mr. Sharon Goldenberg. For further information, see the Immediate Reports

of May 17, 2023, June 21, 2023 and July 4, 2023 (reference no. 2023-01-052842, 2023-01-068013 and 2023-01-074472, respectively), which are incorporated by reference.

2.8 **Annual General and Special Meeting:** After the reporting date, 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 (not including independent directors, whose office shall 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.

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

2.10 **Israeli government policy:** Further to the contents of the Description of the Corporation's Business for 2022 regarding the government's actions to implement a judicial overhaul and the large-scale protests that arose following these attempts – this has impacted the local capital and foreign currency markets as well as Israel's international economic standing (with respect to volatility in the foreign currency market in Israel, see section 2.4 in this report).

Company management is continuously monitoring developments in this sphere and is assessing their implications, if any, on its business. As of the reporting date, the Company is unable to estimate the impacts of the Israeli government's policy and the planned changes to the judiciary on its business operations.

3. Financial position

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

Item	**June 30**		**December 31**	**Explanations by the Company – balances as of June 30, 2023 compared to June 30, 2022**
	2023	**2022**	**2022**	
	NIS thousands			
Cash and cash equivalents and short-term investments	169,139	296,402	138,508	A decline of NIS 127.3 million, largely due to a reduction in the level of interest-bearing credit.
Trade and other receivables	447,850	483,421	187,504	A decline of NIS 35.6 million in the accounts receivable balance despite revenue growth in the quarter, largely the result of the mix of dates on which the sales were generated in the quarter. Average customer days in the second quarter were 63, compared to 78 days in the corresponding period last year.
Trade and other payables	65,979	53,233	64,295	An increase of NIS 12.7 million, largely the result of an increase in advance payments to suppliers and tax receivables.
Inventory	928,376	598,903	1,016,098	An increase of NIS 329 million in the balance of inventory, explained by the following: 1. The increase in inventory is first of all due to the contribution of the first-time consolidation of ECCXI, whose inventory on the reporting date was NIS 161 million. 2. In a comparison between the periods, inventory value has increased, as has the exchange rate of the US Dollar over the past year, which contributed significantly to the increase in inventory value. 3. It is noted that raw material and work in process inventories are lower by NIS 36.5 million compared to the corresponding period. 4. The Company continues to work on adjusting inventory levels to the volume of demand and its production capacity, and is taking steps to reduce the volume of inventory. In the second quarter of 2023, the Company's inventory declined by NIS 122 million compared to prior quarter (March 31, 2023).
Total current assets	**1,611,344**	**1,431,959**	**1,406,405**	

Item	June 30		December 31	Explanations by the Company – balances as of June 30, 2023 compared to June 30, 2022
	2023	2022	2022	
	NIS thousands			
Long-term debt balances	1,758	1,777	1,751	No significant change.
Fixed assets	218,026	167,217	200,312	The increase in fixed assets is largely the result of investments in the Company's sites in Dalton and Kibbutz Yizre'el, including the expansion of manufacturing and operational areas and office buildings
Right-of-use assets	138,169	109,793	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	317,490	193,610	297,453	The increase in intangible assets is largely due to PPA of NIS 80 million in respect of the ECCXI acquisition, as well as an addition to the capitalization of development costs. In the first half, the Company recorded investments of NIS 4.8 million (compared to NIS 7.6 million last year) in the pool water monitoring and control segment, as well as investments of NIS 10.7 million (compared to NIS 16.7 million last year) in the robot segment. Additionally, the rise in the US Dollar and Euro exchange rates contributed to the increase in intangible assets.
Deferred taxes	50,021	24,673	41,298	The tax asset is the result of timing differences in the Company and of cumulative losses for tax purposes in the French subsidiary, use of which is expected to be permitted in the future against taxable income. The increase in the tax asset is primarily due to timing differences in the Group.
Total non-current assets	**725,464**	**497,070**	**685,209**	
Total assets	**2,336,808**	**1,929,029**	**2,091,614**	

Item	June 30		December 31	Explanations by the Company – balances as of June 30, 2023 compared to June 30, 2022
	2023	2022	2022	
	NIS thousands			
Bank credit	568,597	476,684	477,422	Short-term credit increased by NIS 91.9 million, taken primarily to finance the Group's working capital requirements and hedge its balance sheet exposure.
Trade payables	240,698	250,166	240,094	Trade payables declined by NIS 9.5 million. Average supplier days rose to 71 compared to 61 days in the corresponding period last year.
Other accounts payable	168,769	136,925	161,438	Other accounts payable rose by NIS 31.8 million, largely due to a higher valuation of foreign currency transactions following a significant increase in the exchange rates of the Euro and Australian Dollar at the end of the quarter.
Other current liabilities	86,703	75,762	76,439	No significant change.
Non-current liabilities	370,433	217,556	396,967	Most of the increase is attributed to an increase in long-term bank loans taken by the companies in the Group and an increase in a long-term contingent liability associated with the acquisition of ECCXI.
Total liabilities	**1,435,200**	**1,157,093**	**1,352,360**	
Equity attributable to shareholders of the Company	**826,561**	728,955	674,077	The Company's equity before attribution to non-controlling interests as of June 30, 2023 constitutes 35.4% of total assets on the statement of financial position, compared to 37.8% last year. The increase in equity is mainly the result of an increase in the Company's earnings and was offset by payment of a dividend. The decline in the equity-to-asset ratio is due to a relative increase in the Company's liabilities and the consolidation of ECCXI.
Non-controlling interests	**75,047**	42,981	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 the first-time consolidation of ECCXI, in which the former shareholders have a 30% stake.
Total equity	**901,608**	**771,936**	**739,254**	
Total liabilities and equity	**2,336,808**	**1,929,029**	**2,091,614**	

3.1 **Liquidity ratios**

	June 30, 2023	June 30, 2022
Working capital (NIS thousands)	546,577	492,422
Current ratio	1.51	1.52
Quick ratio	0.64	0.89

The Company's working capital increased by 11% compared to June 30, 2022. The decline in the quick ratio is the result of the increase in current liabilities items and the increase in inventory, as described in the Company's explanations in section 3 above.

4. Operating results in NIS thousands

Following are the condensed statements of income for the first half and second quarter of 2023 and 2022:

Item	January-June 2023	January-June 2022	April-June 2023	April-June 2022
Sales revenue	1,253,725	1,135,962	729,300	566,318
Gross profit **Gross margin**	547,790 43.7%	464,314 40.9%	307,017 42.1%	228,463 40.3%
Operating profit **Operating margin**	245,473 19.6%	272,545 24.0%	128,637 17.6%	129,682 22.9%
Net profit **Net margin**	181,224 14.5%	224,692 19.8%	92,799 12.7%	109,501 19.3%

Following is an analysis of revenue and gross profit, reported by segment

1. Segment revenues:	For the three months ended June 30 2023		For the three months ended June 30 2022		% change	Explanations
	NIS thousands	% of total revenues	NIS thousands	% of total revenues		
Residential pool cleaners	577,904	79.2%	493,825	87.2%	17.0%	Sales growth is due to the first-time consolidation of ECCXI.
Public pool cleaners	36,167	5.0%	23,616	4.2%	53.1%	Revenue growth is largely attributed to growth in demand in the segment, particularly in the North American market, and the Company's improved ability to meet the demand for these products.
Safety products and related pool products	115,229	15.8%	48,877	8.6%	135.8%	Sales growth is largely due to the first-time consolidation of ECCXI, whereas there was a certain decline in sales of pool covers and alarms.
Total revenues	**729,300**	**100.0%**	**566,318**	**100.0%**	**28.8%**	
2. Segment results:	**NIS thousands**	**Gross margin**	**NIS thousands**	**Gross margin**	**% change**	
Residential pool cleaners	247,951	42.9%	197,365	40.0%	25.6%	The increase in the gross margin is largely attributed to an increase in selling prices, favorable currency effects and a certain decline in BOM costs and shipping costs, which were offset by a decrease in production volumes.
Public pool cleaners	19,854	54.9%	12,388	52.5%	60.3%	The increase in gross profit and the gross margin is primarily due to sales growth, an increase in selling prices, favorable currency effects and a certain decline in BOM costs.
Safety products and related pool products	39,212	34.0%	18,710	38.3%	109.6%	The increase in gross profit is the result of sales growth. The decline in the gross margin is largely attributed to the revenue mix and the first-time consolidation of ECCXI.
Gross profit	**307,017**	**42.1%**	**228,463**	**40.3%**	**34.4%**	

Following is an analysis of revenue and gross profit, reported by segment

1. Segment revenues:	For the six months ended June 30 2023		For the six months ended June 30 2022		% change	Explanations
	NIS thousands	% of total revenues	NIS thousands	% of total revenues		
Residential pool cleaners	1,009,024	80.5%	1,010,373	89.0%	(0.1%)	The sales volume is essentially unchanged, and in the reporting period includes the effects of the first-time consolidation of ECCXI.
Public pool cleaners	69,727	5.5%	43,381	3.8%	60.7%	Revenue growth is largely attributed to ongoing demand in the segment, particularly in the North American market, and the Company's improved ability to meet the demand for these products. Last year, the Company experienced difficulty in supplying demand due to supply chain challenges.
Safety products and related pool products	174,974	14.0%	82,208	7.2%	112.8%	Sales growth is largely due to the first-time consolidation of ECCXI, whereas there was a certain decline in sales of pool covers and alarms.
Total revenues	**1,253,725**	**100.0%**	**1,135,962**	**100.0%**	**10.4%**	
2. Segment results:	**NIS thousands**	**Gross margin**	**NIS thousands**	**Gross margin**	**% change**	
Residential pool cleaners	447,866	44.4%	410,137	40.6%	9.2%	The increase in the gross margin is largely attributed to an increase in selling prices, favorable currency effects and a certain decline in BOM costs and shipping costs
Public pool cleaners	38,309	54.9%	22,312	51.4%	71.7%	The increase in gross profit and the gross margin is primarily due to an increase in selling prices, favorable currency effects and a certain decline in BOM costs.
Safety products and related pool products	61,615	35.2%	31,865	38.8%	93.4%	The increase in gross profit is the result of sales growth. The decline in the gross margin is largely attributed to the revenue mix and the first-time consolidation of ECCXI.
Gross profit	**547,790**	**43.7%**	**464,314**	**40.9%**	**18.0%**	

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

Item	For the three months ended June 30, 2023	For the three months ended June 30, 2022	% change	Main explanations
Research and development expenses	13,396	11,505	16.4%	The increase in development costs is largely attributed to the robot segment, where development costs amounted to NIS 8.8 million. Development costs in the water monitoring, control and treatment segment in the reporting period amounted to NIS 3.8 million.
Selling and marketing expenses	124,512	52,386	137.7%	The increase is largely due to the consolidation of ECCXI, which contributed NIS 59 million to this item, an increase in marketing campaigns as part of marketing effort to drive sales growth, and rising exchange rates in the period, which contributed a further NIS 3.7 million.
General and administrative expenses	40,472	34,890	16.0%	Most of the increase is the result of the first-time consolidation of ECCXI, which contributed NIS 3 million in expenses, as well as foreign currency effects of NIS 1.1 million.
Operating profit	128,637	129,682	(0.8%)	The decline is due to the increase in gross profit, which was offset by higher operating expenses mainly attributable to ECCXI.
Finance income (expenses), net	17,325	(757)	-	In the reporting period, net finance expenses were recorded due to higher interest on greater debt levels. In addition, rising exchange rates in the quarter contributed to an increase in finance expenses due to the revaluation of foreign currency transactions. The total net currency effect amounted to an expense of NIS 1.6 million.
Other income	-	44	-	-
Income before taxes	111,312	130,483	(14.7%)	The decrease in income before taxes is largely due to the increase in finance expenses.
Taxes on income	18,513	20,982	(11.8%)	The lower tax is the result of the decline in income before taxes. The effective tax rate rose slightly in the current quarter to 16.6%, mainly following a change in the profit mix in the Group.
Net income	92,799	109,501	(15.3%)	Net earnings declined due to the decrease in income before taxes.

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

Item	For the six months ended June 30, 2023	For the six months ended June 30, 2022	% change	Main explanations
Research and development expenses	30,193	26,373	14.5%	The increase in development costs is largely attributed to the robot segment, where development costs amounted to NIS 20.7 million. Development costs in the water monitoring, control and treatment segment in the reporting period amounted to NIS 7.8 million.
Selling and marketing expenses	195,130	98,861	97.4%	The increase is largely due to the consolidation of ECCXI, which contributed NIS 75 million, an increase in marketing campaigns as part of marketing effort to drive sales growth, and rising exchange rates in the period, which contributed a further NIS 6.2 million.
General and administrative expenses	76,994	66,535	15.7%	Most of the increase is the result of the consolidation of ECCXI, which contributed NIS 6 million in expenses, as well as foreign currency effects of NIS 2.2 million.
Operating profit	245,473	272,545	(9.9%)	The decline is due to the increase in gross profit, which was offset by higher operating expenses mainly attributable to ECCXI.
Finance expenses, net	35,678	2,312	1,443.2%	In the reporting period, net finance expenses were recorded due to higher interest on greater debt levels. In addition, rising exchange rates in the period contributed to an increase in finance expenses due to the revaluation of foreign currency transactions.
Other income	-	33	-	-
Income before taxes	209,795	270,266	(22.4%)	The decrease is largely due to the decline in operating profit and the increase in finance expenses.
Taxes on income	28,571	45,574	(37.3%)	The lower tax is the result of the decline in income before taxes. The effective tax rate was lower in the period, mainly due to a change in the profit mix in the Group.
Net profit	181,224	224,692	(19.3%)	Net earnings declined following the decline in operating profit plus the increase in finance expenses, and was offset by the lower tax expense.

5. Cash flows

Item	For the six months ended June 30		For the three months ended June 30		Explanations
	2023	2022	2023	2022	
	NIS thousands				
Cash flows provided by (used in) operating activities	84.323	(81,889)	270,084	138,988	The increase in cash flows provided by operating activities in the reporting period is mainly due to the decline in inventory levels and to accounts receivable collection.
Cash flows used in investing activities	(48,110)	(51,660)	(27,046)	(36,471)	In the reporting period, the Company invested slightly more in the acquisition of fixed assets, mainly buildings at the Company's sites, whereas investments in intangible assets were lower.
Cash flows provided by (used in) financing activities	(4,793)	162,886	(213,423)	17,752	In the reporting period, the Company secured less short-term credit and also repaid larger amounts on account of long-term loans.
Exchange rate differences in respect of cash and cash equivalents	(2,699)	4,752	(2,070)	3,213	
Translation differences in respect of cash and cash equivalents	1,263	6,554	1,896	5,692	
Increase in cash and cash equivalents	**29,984**	**40,643**	**29,441**	**129,174**	
Cash and cash equivalents at end of period	**150,875**	**278,422**	**150,875**	**278,422**	

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 2022 Periodic Report).

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

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

   The Company has two types of currency exposure:

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

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

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

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

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

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

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

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

	USD-linked	EUR-linked	AUD-linked	CPI-linked	Unlinked and other	Non-financial instru-ment	Total
	NIS thousands						
Assets							
Cash and cash equivalents	66,669	132,477	74,693	-	4,583	-	278,422
Short-term investments	55	-	-	7,005	10,920	-	17,980
Trade receivables, net	230,014	199,361	22,398	-	31,648	-	483,421
Other accounts receivable	1,782	4,095	2,752	-	44,604	-	53,233
Inventory	-	-	-	-	-	598,903	598,903
Long-term deposits and debit balances	-	648	1,070	-	59	-	1,777
Fixed assets, net	-	-	-	-	-	167,217	167,217
Right-of-use assets, net	-	-	-	-	-	109,793	109,793
Intangible assets, net	-	-	-	-	-	193,610	193,610
Deferred taxes	-	-	-	-	-	24,673	24,673
Total assets	**298,520**	**336,581**	**100,913**	**7,005**	**91,814**	**1,094,196**	**1,929,029**
Liabilities							
Short-term credit	48,880	2,127	5,068	-	420,609	-	476,684
Trade payables	43,666	24,866	7,067	-	174,567	-	250,166
Other accounts payable	50,040	34,426	6,416	-	82,882	-	173,764
Lease liabilities	-	-	-	-	-	114,265	114,265
Deferred liability of acquired subsidiary	-	16,167	-	-	-	-	16,167
Deferred taxes	-	-	-	-	-	2,293	2,293
Liabilities in respect of employee benefits, net	-	-	-	-	-	4,618	4,618
Other liabilities	22,755	1,354	568	-	94,459	-	119,136
Total liabilities	**165,341**	**78,940**	**19,119**	**-**	**772,517**	**121,176**	**1,157,093**
Net balance	**133,179**	**257,641**	**81,794**	**7,005**	**(680,703)**	**973,020**	**771,936**

Yonatan Bassi Chairman of the Board	Sharon Goldenberg Chief Executive Officer	August 15, 2023 Date of approval of the Board of Directors' Report

Maytronics Ltd.

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

Maytronics Ltd.

Interim Consolidated Financial Statements as of June 30, 2023

Unaudited

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Auditors' Review Report to the Shareholders of Maytronics Ltd.

Introduction

We reviewed the accompanying financial information of Maytronics Ltd. and its subsidiaries (hereinafter: the "Group"), including the condensed consolidated statements of financial position as of June 30, 2023, as well as the condensed consolidated statements of income and other comprehensive income, changes in equity and cash flows, for the six-month and three-month periods then ended. The board of directors and management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, "Interim Financial Reporting", and are also responsible for compiling this interim financial information in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports) 5730-1970. Our responsibility is to express a conclusion regarding the financial information for these interim periods, based on our review.

We have not reviewed the condensed interim financial information of consolidated companies, whose assets as included in the consolidation constitute approximately 42% of total consolidated assets as of June 30, 2023, and whose revenue as included in the consolidation constitutes approximately 62% and 65%, respectively, of total consolidated revenue for the six-month and three-month periods then ended. The interim condensed financial information of those companies was reviewed by other auditors, whose review report was furnished to us, and our conclusion, insofar as it refers to the financial information in respect of those companies, is based on the review report of the other auditors.

Scope of the review

We conducted our review in accordance with Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information by the Entity's Auditor." A review of interim financial information consists of making inquiries, mainly with the persons responsible for financial and accounting matters, and of the application of analytical and other review procedures. A review is significantly limited in scope compared to an audit which has been conducted according to generally accepted auditing standards in Israel, and therefore does not allow us to obtain assurance that we have become aware of all material matters which may have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

In addition to that stated in the previous paragraph, based on our review and on the review report of other auditors, nothing has come to our attention that would cause us to believe that the financial information referred to above does not satisfy, in all material respects, the disclosure provisions set forth in Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

Haifa,
August 15, 2023

Kost Forer Gabbay & Kasierer
A Member of Ernst & Young Global

Consolidated Statements of Financial Position

	June 30		December 31
	2023	2022	2022
	Unaudited		Audited
	NIS thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	150,875	278,422	120,891
Short-term investments	18,264	17,980	17,617
Trade receivables, net	447,850	483,421	187,504
Other accounts receivable	65,979	53,233	64,295
Inventory	928,376	598,903	1,016,098
	1,611,344	1,431,959	1,406,405
NON-CURRENT ASSETS:			
Long-term receivables	1,758	1,777	1,751
Fixed assets, net	218,026	167,217	200,312
Right-of-use assets, net	138,169	109,793	144,395
Intangible assets, net	317,490	193,610	297,453
Deferred taxes, net	50,021	24,673	41,298
	725,464	497,070	685,209
	2,336,808	1,929,029	2,091,614

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

Consolidated Statements of Financial Position

	June 30		December 31
	2023	2022	2022
	Unaudited		Audited
	NIS thousands		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks	568,597	476,684	477,422
Current maturities of lease liabilities	27,966	22,756	26,910
Current maturities of deferred liability in respect of acquired subsidiary	29,792	16,167	25,882
Trade payables	240,698	250,166	240,094
Income tax payable	7,437	17,510	3,476
Other accounts payable	168,769	136,925	161,438
Provisions	21,508	19,329	20,171
	1,064,767	939,537	955,393
NON-CURRENT LIABILITIES:			
Loans from banks	226,037	111,251	248,157
Lease liabilities	117,811	91,509	124,151
Contingent liability in respect of acquired subsidiary	13,786	-	13,112
Employee benefit liabilities, net	3,722	4,618	4,259
Other long-term liabilities	6,865	7,885	5,786
Deferred taxes	2,212	2,293	1,502
	370,433	217,556	396,967
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Share capital	11,254	11,216	11,229
Share premium	118,573	113,817	115,472
Treasury shares	(500)	(500)	(500)
Retained earnings	684,018	620,052	555,179
Capital reserve from share-based payment transactions	23,867	17,298	20,613
Capital reserve from transactions with controlling shareholder	164	164	164
Capital reserve from remeasurement of defined benefit plans	388	(1,654)	388
Revaluation surplus	2,147	2,147	2,147
Capital reserve from transactions with non-controlling interests	(6,895)	(6,895)	(6,895)
Adjustments arising from translation of financial statements of foreign operations	(6,455)	(26,690)	(23,720)
	826,561	728,955	674,077
Non-controlling interests	75,047	42,981	65,177
Total equity	901,608	771,936	739,254
	2,336,808	1,929,029	2,091,614

August 15, 2023			
Date of approval of the financial statements	Yonatan Bassi Chairman of the Board	Sharon Goldenberg Chief Executive Officer	Meni Maymon Chief Financial Officer

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

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2023	2022	2023	2022	2022
	Unaudited		Unaudited		Audited
	NIS thousands				
Sales revenue	1,253,725	1,135,962	729,300	566,318	1,786,896
Cost of sales	705,935	671,648	422,283	337,855	1,068,587
Gross income	547,790	464,314	307,017	228,463	718,309
Research and development expenses	30,193	26,373	13,396	11,505	52,641
Selling and marketing expenses	195,130	98,861	124,512	52,386	238,088
General and administrative expenses	76,994	66,535	40,472	34,890	134,919
Operating income	245,473	272,545	128,637	129,682	292,661
Other income, net	-	33	-	44	29
Finance income	40,499	16,226	13,162	15,890	15,689
Finance expenses	(76,177)	(18,538)	(30,487)	(15,133)	(44,644)
Income before taxes	209,795	270,266	111,312	130,483	263,735
Taxes on income	28,571	45,574	18,513	20,982	35,986
Net income	181,224	224,692	92,799	109,501	227,749
Other comprehensive income:					
Amounts that will be reclassified to profit or loss upon satisfaction of specific conditions:					
Adjustments arising from translation of financial statements of foreign operations	20,590	19,321	9,497	17,307	23,908
Amounts that will not subsequently be reclassified to profit or loss:					
Remeasurement gain on defined benefit plans	-	-	-	-	2,042
Total other comprehensive income	20,590	19,321	9,497	17,307	25,950
Total comprehensive income	201,814	244,013	102,296	126,808	253,699
Net income attributable to:					
Equity holders of the Company	172,839	218,159	87,327	106,354	218,296
Non-controlling interests	8,385	6,533	5,472	3,147	9,453
	181,224	224,692	92,799	109,501	227,749
Total comprehensive income attributable to:					
Equity holders of the Company	190,104	235,550	94,955	122,589	240,699
Non-controlling interests	11,710	8,463	7,341	4,219	13,000
	201,814	244,013	102,296	126,808	253,699
Net basic earnings per share attributable to equity holders of the Company (in NIS):	1.58	2.00	0.80	0.97	2.00
Net diluted earnings per share attributable to equity holders of the Company (in NIS):	1.58	1.99	0.80	0.97	1.99

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

Consolidated Statements of Cash Flows

	Attributable to Equity Holders of the Company												
	Share capital	Share premium	Treasury shares	Retained earnings	Capital reserve from share-based payment transactions	Capital reserve from transactions with controlling shareholder	Adjustments arising from translation of financial statements of foreign operations	Capital reserve from remeasure-ment of defined benefit plans	Revaluation surplus	Capital reserve from transactions with non-controlling interests	Total	Non-controlling interests	Total equity
	Unaudited												
	NIS thousands												
Balance as of January 1, 2023 (audited)	11,229	115,472	(500)	555,179	20,613	164	(23,720)	388	2,147	(6,895)	674,077	65,177	739,254
Net income	-	-	-	172,839	-	-	-	-	-	-	172,839	8,385	181,224
Other comprehensive income - adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	-	17,265	-	-	-	17,265	3,325	20,590
Total comprehensive income	-	-	-	172,839	-	-	17,265	-	-	-	190,104	11,710	201,814
Exercise of share options	25	3,101	-	-	(3,101)	-	-	-	-	-	25	-	25
Dividend paid	-	-	-	(44,000)	-	-	-	-	-	-	(44,000)	-	(44,000)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1,840)	(1,840)
Cost of share-based payment	-	-	-	-	6,355	-	-	-	-	-	6,355	-	6,355
Balance as of June 30, 2023	11,254	118,573	(500)	684,018	23,867	164	(6,455)	388	2,147	(6,895)	826,561	75,047	901,608

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

Consolidated Statements of Cash Flows

	Attributable to Equity Holders of the Company												
	Share capital	Share premium	Treasury shares	Retained earnings	Capital reserve from share-based payment transactions	Capital reserve from transactions with controlling shareholder	Adjustments arising from translation of financial statements of foreign operations	Capital reserve from remeasure-ment of defined benefit plans	Revaluation surplus	Capital reserve from transactions with non-controlling interests	Total	Non-controlling interests	Total equity
	Unaudited												
	NIS thousands												
Balance as of April 1, 2023	11,243	116,573	(500)	596,691	22,623	164	(14,083)	388	2,147	(6,895)	728,351	69,546	797,897
Net income	-	-	-	87,327	-	-	-	-	-	-	87,327	5,472	92,799
Other comprehensive income - adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	-	7,628	-	-	-	7,628	1,869	9,497
Total comprehensive income	-	-	-	87,327	-	-	7,628	-	-	-	94,955	7,341	102,296
Exercise of share options	11	2,000	-	-	(2,000)	-	-	-	-	-	11	-	11
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1,840)	(1,840)
Cost of share-based payment	-	-	-	-	3,244	-	-	-	-	-	3,244	-	3,244
Balance as of June 30, 2023	11,254	118,573	(500)	684,018	23,867	164	(6,455)	388	2,147	(6,895)	826,561	75,047	901,608

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

Consolidated Statements of Cash Flows

	Attributable to Equity Holders of the Company												
	Share capital	Share premium	Treasury shares	Retained earnings	Capital reserve from share-based payment transactions	Capital reserve from transactions with controlling shareholder	Adjustments arising from translation of financial statements of foreign operations	Capital reserve from remeasure-ment of defined benefit plans	Revaluation surplus	Capital reserve from transactions with non-controlling interests	Total	Non-controlling interests	Total equity
	Unaudited												
	NIS thousands												
Balance as of January 1, 2022 (audited)	11,210	113,071	(500)	461,893	11,703	164	(44,081)	(1,654)	2,147	(6,895)	547,058	38,618	585,676
Net income	-	-	-	218,159	-	-	-	-	-	-	218,159	6,533	224,692
Other comprehensive income - adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	-	17,391	-	-	-	17,391	1,930	19,321
Total comprehensive income	-	-	-	218,159	-	-	17,391	-	-	-	235,550	8,463	244,013
Exercise of share options	6	746	-	-	(746)	-	-	-	-	-	6	-	6
Dividend paid	-	-	-	(60,000)	-	-	-	-	-	-	(60,000)	-	(60,000)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(4,100)	(4,100)
Cost of share-based payment	-	-	-	-	6,341	-	-	-	-	-	6,341	-	6,341
Balance as of June 30, 2022	11,216	113,817	(500)	620,052	17,298	164	(26,690)	(1,654)	2,147	(6,895)	728,955	42,981	771,936

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

Consolidated Statements of Cash Flows

	Attributable to Equity Holders of the Company												
	Share capital	Share premium	Treasury shares	Retained earnings	Capital reserve from share-based payment transactions	Capital reserve from transactions with controlling shareholder	Adjustments arising from translation of financial statements of foreign operations	Capital reserve from remeasure-ment of defined benefit plans	Revaluation surplus	Capital reserve from transactions with non-controlling interests	Total	Non-controlling interests	Total equity
	Unaudited												
	NIS thousands												
Balance as of April 1, 2022	11,210	113,071	(500)	513,698	14,498	164	(42,925)	(1,654)	2,147	(6,895)	602,814	38,762	641,576
Net income	-	-	-	106,354	-	-	-	-	-	-	106,354	3,147	109,501
Other comprehensive income - adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	-	16,235	-	-	-	16,235	1,072	17,307
Total comprehensive income	-	-	-	106,354	-	-	16,235	-	-	-	122,589	4,219	126,808
Exercise of share options	6	746	-	-	(746)	-	-	-	-	-	6	-	6
Cost of share-based payment	-	-	-	-	3,546	-	-	-	-	-	3,546	-	3,546
Balance as of June 30, 2022	11,216	113,817	(500)	620,052	17,298	164	(26,690)	(1,654)	2,147	(6,895)	728,955	42,981	771,936

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

Consolidated Statements of Cash Flows

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

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

Consolidated Statements of Cash Flows

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2023	2022	2023	2022	2022
	Unaudited		Unaudited		Audited
	NIS thousands				
Cash flows from operating activities:					
Net income	181,224	224,692	92,799	109,501	227,749
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Adjustments to profit or loss items:					
Taxes on income	30,470	28,120	23,732	19,358	57,931
Deferred taxes, net	(7,301)	3,780	4,601	1,761	(13,499)
Finance expenses, net	29,933	5,734	17,180	3,553	18,105
Depreciation and amortization	40,178	29,871	19,205	15,245	69,678
Cost of share-based payment	6,355	6,341	3,244	3,546	11,311
Revaluation of options to Kibbutz members	(17)	(1,028)	(152)	(596)	(2,068)
Increase (decrease) in employee benefit liabilities, net	(537)	170	(720)	85	1,853
Interest accrued on long-term deposit and exchange differences on investments	68	(198)	103	(242)	(188)
Capital gain (loss) from sale of fixed assets, net	(27)	(4)	(27)	(21)	391
Revaluation of securities measured at fair value through profit or loss, net	(302)	1,313	(365)	726	1,962
Revaluation of derivatives, net	10,823	25,058	(13,757)	22,043	47,185
Exchange differences on cash and cash equivalents	2,699	(4,752)	2,070	(3,213)	(6,098)
	112,342	94,405	55,114	62,245	186,563
Changes in asset and liability items:					
Decrease (increase) in trade receivables, net	(246,932)	(346,506)	131,347	38,370	(55,189)
Decrease (increase) in other accounts receivable (including long-term)	(925)	2,670	(10,308)	964	7,793
Decrease (increase) in inventories	123,220	(58,689)	134,556	(48,783)	(360,183)
Increase (decrease) in trade payables	(25,164)	4,214	(55,494)	15,386	(166,597)
Increase (decrease) in other accounts payable, provisions and taxes payable	(1,541)	27,497	(38,847)	(18,784)	15,099
Increase in other liabilities	2,502	3,682	1,829	3,000	4,052
	(148,840)	(367,132)	163,083	(9,847)	(555,025)
Cash paid and received during the period for:					
Interest and dividends received	204	190	96	96	459
Interest paid	(30,137)	(5,924)	(17,276)	(3,649)	(18,564)
Taxes paid	(30,470)	(28,120)	(23,732)	(19,358)	(57,931)
	(60,403)	(33,854)	(40,912)	(22,911)	(76,036)
Net cash provided by (used in) operating activities	84,323	(81,889)	270,084	138,998	(216,749)

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

Consolidated Statements of Cash Flows

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2023	2022	2023	2022	2022
	Unaudited		Unaudited		Audited
	NIS thousands				
Cash flows from investing activities:					
Purchase and capitalization of intangible assets	(24,049)	(31,805)	(14,747)	(20,897)	(59,059)
Purchase of fixed assets	(29,952)	(20,265)	(16,280)	(15,682)	(58,311)
Proceeds from sale of fixed assets	103	83	103	53	204
Investment grants received	3,734	-	3,734	-	-
Acquisition of first-time consolidated subsidiary (B)	-	-	-	-	3,029
Payment of deferred liability in respect of acquired subsidiary	-	-	-	-	(16,538)
Refund of deferred liability in respect of acquired subsidiary	2,399	-	303	-	-
Proceeds from sale (purchase) of securities measured at fair value through profit or loss, net	(345)	327	(159)	55	41
Net cash used in investing activities	(48,110)	(51,660)	(27,046)	(36,471)	(130,634)
Cash flows from financing activities:					
Proceeds from exercise of options	25	6	11	6	19
Receipt of short-term credit, net	77,868	177,180	(154,151)	93,721	145,944
Receipt of long-term loan	12,056	80,000	12,056	-	270,000
Repayment of long-term loans	(34,758)	(19,166)	(18,244)	(10,274)	(46,146)
Dividend paid to equity holders of the Company	(44,000)	(60,000)	(44,000)	(60,000)	(125,010)
Dividend paid to non-controlling interests	(1,840)	(4,100)	(1,840)	-	(4,100)
Repayment of lease liabilities	(14,144)	(11,034)	(7,255)	(5,701)	(23,303)
Net cash provided by (used in) financing activities	(4,793)	162,886	(213,423)	17,752	217,404
Exchange differences on cash and cash equivalent balances	(2,699)	4,752	(2,070)	3,213	6,098
Translation differences from cash balances of foreign operations	1,263	6,554	1,896	5,692	6,993
Increase (decrease) in cash and cash equivalents	29,984	40,643	29,441	129,174	(116,888)
Cash and cash equivalents at beginning of period	120,891	237,779	121,434	149,248	237,779
Cash and cash equivalents at end of period	150,875	278,422	150,875	278,422	120,891

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

Consolidated Statements of Cash Flows

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2023	2022	2023	2022	2022
	Unaudited		Unaudited		Audited
	NIS thousands				
(A) Significant non-cash transactions:					
Purchase of fixed assets and intangible assets on credit	4,666	7,220	4,666	7,220	18,059
Recognition of right-of-use asset against lease liability	7,449	11,277	4,524	7,825	59,962
Deferred liability in respect of acquired subsidiary	-	-	-	-	24,751
(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
Contingent consideration	-	-	-	-	12,791
Non-controlling interests	-	-	-	-	17,659
	-	-	-	-	3,029

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

Note 1 - General

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

Effects of inflation and rising interest rates

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

Note 2 - Significant Accounting Policies

Framework for preparation of the Interim Consolidated Financial Statements

The Interim Consolidated Financial Statements were prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, and in accordance with the disclosure requirements set forth in Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

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

Note 3 - First-Time Adoption of Amendments to Current Accounting Standards

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

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

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

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

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

Note 3 - First-Time Adoption of Amendments to Current Accounting Standards (cont'd)

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

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

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

3. Amendment to IAS 1, Disclosure of Accounting Policies

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

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

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

Note 4 - Seasonality

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

Note 5 - Operating Segments

A. General

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

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

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

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

B. Report on operating segments

	Manufacture of residential pool robotic cleaners	Manufacture of public pool robotic cleaners	Safety products and related pool products	Total
	Unaudited			
	NIS thousands			
For the six-month period ended June 30, 2023				
Total revenues from externals	1,009,024	69,727	174,974	1,253,725
Total segment profit	447,866	38,309	61,615	547,790
Unallocated shared expenses				(302,317)
Finance expenses, net				(35,678)
Income before taxes				209,795

Note 5 - Operating Segments (cont'd)

B. Report on operating segments (cont'd)

	Manufacture of residential pool robotic cleaners	Manufacture of public pool robotic cleaners	Safety products and related pool products	Total
	Unaudited			
	NIS thousands			
For the three-month period ended June 30, 2023				
Total revenues from externals	577,904	36,167	115,229	729,300
Total segment profit	247,951	19,854	39,212	307,017
Unallocated shared expenses				(178,380)
Finance expenses, net				(17,325)
Income before taxes				111,312

	Manufacture of residential pool robotic cleaners	Manufacture of public pool robotic cleaners	Safety products and related pool products	Total
	Unaudited			
	NIS thousands			
For the six-month period ended June 30, 2022				
Total revenues from externals	1,010,373	43,381	82,208	1,135,962
Total segment profit	410,137	22,312	31,865	464,314
Unallocated shared expenses				(191,769)
Other income, net				33
Finance expenses, net				(2,312)
Income before taxes				270,266

Note 5 - Operating Segments (cont'd)

B. Report on operating segments (cont'd)

	Manufacture of residential pool robotic cleaners	Manufacture of public pool robotic cleaners	Safety products and related pool products	Total
	Unaudited			
	NIS thousands			
For the three-month period ended June 30, 2022				
Total revenues from externals	493,825	23,616	48,877	566,318
Total segment profit	197,365	12,388	18,710	228,463
Unallocated shared expenses				(98,781)
Other income, net				44
Finance income, net				757
Income before taxes				130,483

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

Note 5 - Operating Segments (cont'd)

C. Geographical information

Sales according to geographical market (by customer location):

	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
	2023	2022	2023	2022	2022
	Unaudited		Unaudited		Audited
	NIS thousands				
Europe	410,246	499,569	224,654	259,991	638,519
North America	743,189	532,829	455,863	262,754	900,258
Oceania	60,953	60,823	24,025	23,915	176,481
Rest of World	39,337	42,741	24,758	19,658	71,638
	1,253,725	1,135,962	729,300	566,318	1,786,896

Note 6 - Financial Instruments for Disclosure Purposes Only

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

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

	June 30		December 31
	2023	2022	2022
	Unaudited		Audited
	NIS thousands		
Long-term credit from banks at fixed interest			
Carrying amount	183,502	103,284	199,351
Fair value	169,271	88,990	186,341

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

Note 7 - Events During and After the Reporting Period

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

B. On March 21, 2023, the Board of Directors of the Company approved the grant of 110,000 warrants to a senior officer of the Company. The allotment is in accordance with the Company's ESOP and by virtue of an outline published by the Company on February 24, 2022. The warrants are convertible into ordinary shares of the Company of NIS 0.1 par value each, plus an exercise increment of NIS 43.64. The vesting conditions of the warrants are 25% after one year, 25% after two years, 25% after three years and 25% after four years. The estimated fair value of the warrants on the date of the Board of Directors' approval was set at approximately NIS 1,564 thousand. Following are the data used to measure the fair value of the warrants on the grant date according to the Black-Scholes model for the above plan: share price – NIS 43.15; volatility – 40.2%; expected life of the warrants – four years; risk-free interest rate – 4.13%; forfeiture rate – 10%.

C. On May 16, 2023, the Company allotted 1,040,000 warrants to employees and managers of the Company (including an allotment of 110,000 warrants to the Company CEO), in a cashless exercise. The warrants are convertible into ordinary shares of the Company of NIS 0.1 par value each, plus an exercise increment of NIS 40.90. The vesting conditions of the warrants are 25% after one year, 25% after two years, 25% after three years and 25% after four years. The estimated fair value of the warrants on the date of the Board of Directors' approval was set at NIS 14.2 million. Following are the data used to measure the fair value of the warrants on the grant date according to the Black-Scholes model for the above plan: share price – NIS 40.90; volatility – 41.2%; expected life of the warrants – four years; risk-free interest rate – 3.84%; forfeiture rate – 10%.

D. On August 15, 2023, after the reporting date, the Board of Directors of the Company approved the distribution of an interim cash dividend of NIS 0.4558 pers share, amounting to a total of NIS 50 million, gross. The dividend will be paid on September 28, 2023. The record date was set for September 10, 2023.