

**Maytronics Ltd.**

**Board of Directors' Report on the State of the Corporation's Affairs**  
**For the Period Ended March 31, 2022**

**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 covers for swimming pools, drowning detection systems, and the marketing of additional supplementary products for swimming pools. The Company's business is export-based, and approximately 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**”); in France, by the subsidiary Maytronics France (“**MTFR**”); and by an outside distributor in Australia, through the subsidiary Maytronics Australia (“**MTAU**”); and in Germany, through the subsidiary Bünger & Frese (“**BF**”) as well as through outside distributors. The Company is significantly affected by seasonality, and approximately 65% of its sales in 2021, and most of its profits, were generated in the first half of the year. This seasonality is due to the fact that most of the Company's sales are made in the Northern Hemisphere, where use of residential pools begins around April-May and ends around September. Accordingly, the Company's customers (mainly distributors) buy most of the products for their inventory between December/January and July (regarding an exception in this respect in the past two years, see below). In general, the distributors themselves sell most of the products from March until the season closes at summer's end.

The Company is a world leader in its main operating segment – robots for residential pools – and estimates that it holds a 48% share of the world market in this segment. The Company invests in the development and enhancement 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 market situation:** The Company's sales in the first quarter grew by 35.9% compared to the corresponding period last year, and by 41.5% in constant currency. Sales growth is the result of ongoing demand, mainly for private pool robots, which was reflected in the order backlog following strong early-buy sales and successful preparation and planning for the season by the Company in all markets

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in the Northern Hemisphere, as well as continued double-digit growth in Oceania sales. The Company's sales grew strongly in all key regions: in the US, sales in local currency (USD) rose by 41%, and in Europe, growth in local currency was 49%. The Company continues to view the US market as having significant growth potential in the next few years and is highly pleased with the high double-digit growth rate in all key regions. It is noted that further to the trend that began last year, at the start of 2022 the market continued to experience demand for new pools, upgrades of existing pools in general and the introduction of automation, and consequently, the need for their maintenance increased. In view of the Company's results for Q1 2022 and its estimates on the date of this report, the Company has revised its revenue forecast for FY 2022, as presented in section 3.8 in the Description of the Corporation's Business as of December 31, 2021 (reference no. 2022-01-033739 of March 23, 2022, incorporated herein by reference), and estimates revenue growth of 18%-22% this year, based mainly on growth in the private pool robot segment, as opposed to the original revenue growth forecast of above 17% for the year.

The Company's revised forecast regarding revenue growth in 2022 is **forward-looking information**, as this term as defined in the Securities Law, 1968, which is based, inter alia, on the results for Q1 2022, 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 these estimates is uncertain and is beyond the Company's control. The forecast may not materialize or may materialize in part should new players or products enter the market, as a result of rival activities, due to changing preferences of the Company's customers, due to unforeseen difficulties associated with its products, their production and further development, due to consequences of the COVID-19 pandemic and possible developments in the world economy, which are unforeseeable at the present time, 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 2021.

- 2.2 The Company's **order backlog** as of March 31, 2022, which is intended for sale in 2022, amounted to approximately NIS 636.4 million compared to an order backlog of NIS 378.4 million on March 31, 2021, reflecting 68% backlog growth compared to last year. The sharp increase in backlog is due to growing demand for the Company's products, notably home pool robots following the boom in the private pool market in all major regions, and significant demand in the early-buy program for distributors, which has led the Company's customers – distributors in the various regions – to place orders for large quantities of robots earlier in the season to ensure supply of the Company's products on a scale that will meet foreseen demand by their customers. These considerations arose given the difficulty experienced by the Company in meeting the heightened demand for its products due to the impacts of the pandemic and the global supply chain crisis (as described in the Description of the Corporation's Business as of December 31, 2021, in sections 1.6.4 and 1.6.5).

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The Company's estimate regarding growth potential in the various markets and the US market in particular, as well its estimates with respect to meeting the elevated demand for its products, is **forward-looking information**, as defined in the Securities Law, 1968, which is based, inter alia, on the Company's experience on the date of this report, its understanding of the relevant competitive and market conditions, its customers' needs, global developments and its intentions and plans for the future, which may change from time to time, and its experience in handling heightened demand for its products. Materialization of these estimates is uncertain and is beyond the Company's control. The estimates may not materialize or may materialize in part should new players or products penetrate or grow stronger in the market, due to changing preferences of the Company's customers, due to unforeseen difficulties associated with its products, their production and further development, due to possible difficulties in hiring and in the procurement of necessary raw materials, due to consequences of the COVID-19 pandemic and global supply chain constraints, which are unforeseeable at the present time, and the return of markets to routine, as well as due to the Company's other risk factors, which are enumerated in section 3.22 of the Description of the Corporation's Business for 2021.

### 2.3 **Foreign currency effects compared to the corresponding period last year:**

Changes in the exchange rates of the major currencies were relatively significant in the reporting period compared to last year: The Euro, which accounted for 42% of the Company's sales, weakened by an average of 6.7% against the Shekel, the US Dollar, which accounted for 50% of the Company's sales, weakened by an average of 1.1% against the Shekel, and the Australian Dollar, which accounted for approximately 7% of the Company's sales, weakened by an average of 7.3%. The effect of changes in exchange rates on sales and profit compared to the corresponding period amounted to a decrease of NIS 23.3 million in sales, a decrease of NIS 18 million in gross profit, and a decrease of NIS 16.3 million in operating profit, largely due to the decline in the exchange rate of the Euro and Australian Dollar.

2.4 **Dividend distribution:** On March 23, 2022, the Board of Directors of the Company declared a final cash dividend for 2021 at a total of NIS 60 million, reflecting NIS 0.5492 per share and completing an annual dividend totaling NIS 135 million for 2021. The dividend was paid after the reporting period, on April 27, 2022.

2.5 **Special General Meeting:** On January 25, 2022, the Special General Meeting approved the retirement benefits of the outgoing CEO, Eyal Tryber, the terms of office and employment of the incoming CEO, Sharon Goldenberg, the appointment of Shirith Kasher as an independent director (in lieu of Dan Lallouz, who previously concluded a 9-year term as an independent director of the Company), and the Company's engagement with its indirect controlling shareholder, Kibbutz Yizre'el, in a labor agreement. For further information, see the Immediate Reports of January 19, 2022 and January 26, 2022 (reference no. 2022-01-008527 and 2022-01-011725, respectively), the contents whereof are incorporated by reference.

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- 2.6 **Termination of office and appointment of officers:** On March 10, 2022, Mr. David Alimi ceased to serve as General Manager EMEA and Interim CEO of the subsidiary MTFR. Mr. Nicolas Mouret was appointed as CEO of MTFR in lieu of Mr. Alimi in January 2022.
- 2.7 **Annual General Meeting:** After the reporting date, on May 17, 2022, the Board of Directors of the Company passed a resolution to convene an AGM, which will be held on July 14, 2022. The Company will publish an Immediate Report on the subject as required by law.
- 2.8 **Publication of an outline for the allotment of options and allotment of options to the CEO thereunder:** On February 13, 2022, further to the approval of the Company's Remuneration Committee on February 6, 2022, the Board of Directors passed a resolution for expansion of the framework of the stock option plan for employees, consultants, service providers, managers and directors of the Company and related companies by 3,190,000 (non-marketable) options, and further thereto, for the publication of an outline that will allow for the exercise of all shares under the remainder of the original plan as well as the broadened plan. The outline enables the Company to grant 3,308,385 options to Company employees and managers, and to allot 240,000 options to the Company CEO, Mr. Sharon Goldenberg, subject to various approvals (hereinafter: the "Outline"). For further information, see the Immediate Report of February 24, 2022 (reference no. 2022-01-022987), the content whereof is incorporated by reference. It is noted that after the reporting date, on April 25, 2022, the Tel Aviv Stock Exchange (TASE) approved the listing of the underlying shares resulting from the exercise of the options.
- 2.9 **Amendment of the Remuneration Policy and grant of options to the Company CEO:** After the reporting date, on April 4, 2022, the Special General Meeting approved amendments to the Company's Remuneration Policy pertaining to the consolidation and enlargement of the cap on variable compensation (equity and cash); In addition, and further to the foregoing, the General Meeting approved the allotment of 240,000 non-marketable, non-transferable options, exercisable for 240,000 registered ordinary shares of the Company of NIS 0.1 par value each, to the Company CEO, Mr. Sharon Goldenberg, in accordance with the Outline. For further information, see the Immediate Reports of February 14, 2022 and April 5, 2022 (reference no. 2022-01-015924 and 2022-01-042934, respectively), the content whereof is incorporated by reference.
- Allotment of options to employees and managers:** On May 17, 2022, after the reporting date, further to the approval of the Company's Remuneration Committee on May 15, 2022, the Board of Directors passed a resolution for the allotment of 817,500 options, exercisable for ordinary shares of the Company of NIS 0.1 par value each, to Company employees and managers in a cashless exercise transaction.

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2.10 Said allotment is in accordance with the option plan adopted by the Company in late 2017 and by virtue of the outline published by the Company on February 24, 2022 (see the Immediate Report of February 24, 2022 (reference no. 2022-01-022987), the content whereof is incorporated by reference).

### 2.11 **Effects of the spread of COVID-19 on the Company**

Further to the detailed description presented in the Board of Directors' Report of December 31, 2021 regarding the effects of the spread of COVID-19 on the Company (reference no. 2022-01-033739), which is incorporated herein by reference and forms an integral part of this report, following is an update by the Company:

**Supply chain:** As of the reporting date, the Company has continued to cope with a considerable increase in demand for its products, and simultaneously, with certain constraints in its supply chain, including difficulty in procuring various electronic components as well as an increase in shipping costs and the prices of most raw materials, including electronic components required for manufacturing to maintain continuous operation of its production lines. It is noted that despite the challenges, in general the Company is satisfied with the situation and overall, has met its production targets for Q1 2022.

**In the private pool cleaner segment,** the Company continues to benefit from the ongoing increase in the operation of residential pools and the construction of new pools. These consumer trends have led to considerable demand by all the Company's customers in the distribution chain and contributed to the perpetuation of the uptrend in the Company's sales in the first quarter, which grew by 39.7% compared to the corresponding period last year. This growth was achieved despite the supply chain challenges described above, which had a certain impact on operating efficiency and on the Company's ability to immediately meet the entire demand for its products.

**In the public pool cleaner segment,** the Company experienced a decline in revenue in the reporting period compared to the corresponding period, largely the result of supply chain challenges that are specific to the products in this segment, including unavailability of unique electronic components, which led to inability to meet the entire demand.

The Company's estimate regarding the spread of COVID-19 and the implications of supply chain difficulties on the Company's financial position and operating results, as well as the Company continuing to benefit from the positive consequences of the COVID-19 crisis on its operating results as described above, is **forward-looking information**, and as such, is uncertain and may not materialize, in whole or in part, or may materialize differently than anticipated. This information is based, inter alia, on the Company's information, estimates and assessments on the date of this report, on publications in Israel and worldwide, and on the directives of the relevant authorities with respect to the pandemic to date, which may change from time to time, its

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understanding of conditions in the markets in which it is active, its customers' needs, global developments, its intentions and plans for the future, which may change from time to time, and its experience in handling heightened demand for its products. Materialization of this estimate is uncertain and is beyond the Company's control. This estimate may not materialize or may materialize in part, should the spread of the virus and steps taken by the authorities worldwide to eradicate it and/or the conduct of the Company's customers, distributors and suppliers deviate from the foregoing or from any course of development that is foreseeable at this time, including as a result of a substantial shortage of raw materials, other supply chain constraints or as a result of a world recession that affects demand for the Company's products, as a result of unforeseen difficulties associated with its products and their continued development, the activity of rivals, and due to the Company's other risk factors, which are enumerated in section 3.22 of the Description of the Corporation's Business for 2021.

### **3. Financial position**

3.1 The Company's current assets on March 31, 2022 amounted to NIS 1,285,927 thousand, constituting approximately 73% of total assets, compared to current assets of NIS 872,232 thousand, constituting approximately 69% of total assets, on March 31, 2021.

Changes in current asset items are as follows:

- A. At the end of the reporting period, total cash and cash equivalents and short-term investments amounted to NIS 168 million, compared to NIS 160.6 million at the end of the corresponding period last year, an increase of approximately NIS 7.4 million.
- B. An increase of NIS 231.5 million in inventory balance, largely due to growth in the Company's activity and its preparations for maintaining production continuity by building up raw materials inventory considering the supply chain constraints described in section 2.11 above. In view of these supply chain challenges, a decision was made by the Company to make earlier purchases of components and raw materials to ensure a response to the demand for its products and maintain manufacturing continuity to the greatest extent possible. As a result, the value of raw materials inventory rose considerably. Finished goods inventory also increased following the shipment of goods to the subsidiaries to enable them to prepare for early sales at the start of the season in the Northern Hemisphere in the first half of 2022. This is also reflected in average days in inventory, which rose to 145 days compared to 121 days in the corresponding period last year.
- C. An increase of NIS 140 million in the balance of trade receivables, largely as a result of sales growth. Average customer days in the quarter amounted to 49 days compared to 47 days in the corresponding period last year.
- D. The balance of other receivables on March 31, 2022 amounted to NIS 75 million, compared to NIS 40.1 million on March 31, 2021. The increase is mainly the result of an increase in advance payments to suppliers, in VAT receivable and the

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revaluation of foreign currency transactions following a material drop in the exchange rates of the Euro and Australian Dollar as of March 31, 2022.

- 3.2 Long-term investments – Long-term deposits and debit balances on March 31, 2022 amounted to NIS 1.6 million, unchanged compared to March 31, 2021.
- 3.3 Fixed assets – The net balance of fixed assets on March 31, 2022 amounted to NIS 156.5 million, compared to NIS 118.4 million on March 31, 2021. The increase in fixed assets is primarily due to investments in the Company's sites in Dalton and Kibbutz Yizre'el, such as investment in the enlargement of production and operating areas and office buildings, investments in production lines and investments in machinery and equipment following growth in the Company's activities.
- 3.4 Right-of-use assets – The balance of right-of-use assets on March 31, 2022 amounted to NIS 107.1 million, compared to NIS 105 million on March 31, 2021. Right-of-use assets are attributed to the Company's lease agreements, which mainly include buildings and vehicles, against the recording of a liability.
- 3.5 Intangible assets – The net balance of intangible assets on March 31, 2022 amounted to NIS 174.3 million, compared to NIS 147.3 million on March 31, 2021. The increase in intangible assets is largely due to an increase in the capitalization of development costs. In the first quarter of 2022, the Company recorded investments of NIS 3.1 million (compared to NIS 4.3 million last year) in the pool water monitoring and control segment, as well as investments of NIS 7 million in the robot segment.
- 3.6 Deferred tax assets – The balance of deferred tax assets on March 31, 2022 was NIS 25.6 million, compared to NIS 27.5 million on March 31, 2021. 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 decrease in the tax asset is largely due to timing differences in the Company.
- 3.7 The Company's current liabilities on March 31, 2022 amounted to NIS 885.6 million, constituting 50.6% of total liabilities, compared to NIS 561.4 million, constituting 44.1% of total liabilities, on March 31, 2021.

Significant changes in current liabilities items include the following:

- A. An increase of NIS 189.9 million in short-term credit to finance the Group's working capital requirements and for fair value hedges.
- B. An increase of NIS 77.6 million in trade payables as a result of business growth and increased inventories in the reporting period. Average supplier days rose to 60, compared to 52 days in the corresponding period.

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C. An increase of NIS 38.9 million in other accounts payable, largely due to an increase in liabilities to employees and institutions, and an increase in accrued expenses in light of the Company's business growth.

3.8 The Company's long-term liabilities on March 31, 2022 amounted to NIS 223.8 million, compared to NIS 178.7 million on March 31, 2021. Most of the increase is attributed to an increase in long-term loans taken by the group companies from banking corporations.

### 3.9 Liquidity ratios

	March 31, 2022	March 31, 2021
<b>Working capital (NIS thousands)</b>	400,269	310,782
<b>Current ratio</b>	1.45	1.55
<b>Quick ratio</b>	0.84	1.00

The Company's working capital increased by 29% compared to March 31, 2021, mostly due to the growth in the Company's profits. The slight decline in the current ratio is the result of a relative increase in current liabilities items. The decline in the quick ratio is the result of the increase in current liabilities items and the material growth in inventory as described in section 3.1 above.

## 4. Operating results in NIS thousands

Following are the condensed statements of income for the first quarter of 2022 and 2021:

Item	<u>January- March 2022</u>	<u>January- March 2021</u>	<u>Rate of change (%)</u>
<b>Sales revenue</b>	569,644	419,079	35.9%
<b>Gross profit</b>	235,851	182,277	29.4%
<b>% gross profit</b>	41.40%	43.49%	
<b>Operating profit</b>	142,863	112,255	27.3%
<b>% operating profit</b>	25.1%	26.8%	
<b>Net profit</b>	115,191	91,303	26.2%
<b>% net profit</b>	20.2%	21.8%	



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<b>Following is an analysis of revenue and gross profit, reported by segments</b>						
<b>1. Segment revenues:</b>	<b>For the three-month period ended March 31</b>		<b>For the three-month period ended March 31</b>		<b>% change</b>	<b>Explanations</b>
	<b>2022</b>		<b>2021</b>			
	<b><u>NIS</u> <u>thousands</u></b>	<b><u>% of total</u> <u>revenues</u></b>	<b><u>NIS</u> <u>thousands</u></b>	<b><u>% of total</u> <u>revenues</u></b>		
Residential pool cleaners	516,548	90.7%	369,828	88.3%	39.7%	The increase is due to elevated demand for robots in all key regions, strong early-buy sales and effective preparation for the season in all markets in the Northern Hemisphere, as well as continued robust growth in Oceania sales.
Public pool cleaners	19,765	3.5%	23,479	5.6%	(-15.8%)	The decline in sales is the result of supply chain challenges, including a lack of availability of electronic components that are specific to the robots in the segment, which led to an inability to supply the entire demand, in addition to the weakening of the major currencies against the Shekel, as described in section 2.3 above.
Pool safety products and related products	33,331	5.8%	25,772	6.1%	29.3%	Sales growth is largely due to an increase in sales of automatic pool covers and water treatment products.
<b>Total revenues</b>	<b>569,644</b>	<b>100.0%</b>	<b>419,079</b>	<b>100.0%</b>	<b>35.9%</b>	
<b>2. Segment results:</b>	<b><u>NIS</u> <u>thousands</u></b>	<b><u>% gross</u> <u>profit</u></b>	<b><u>NIS</u> <u>thousands</u></b>	<b><u>% gross</u> <u>profit</u></b>	<b>% change</b>	
Residential pool cleaners	212,772	41.2%	160,907	43.5%	32.2%	The increase in gross profit is due to revenue growth. The decline in the gross margin is largely the result of foreign currency effects and the increase in raw material prices and sea and air freight costs, which were offset by an increase in sales prices and growth in sales volumes.
Public pool cleaners	9,924	50.2%	12,414	52.9%	(-20.0%)	The decline in gross profit and the gross margin is due to the drop in sales and volumes, elevated raw material prices and sea and air freight costs, and the weakening of the major currencies against the Shekel in the reporting period.
Pool safety products and related products	13,155	39.5%	8,956	34.8%	46.9%	The increase in gross profit is largely due to efficiency enhancement and margin improvement in the automatic cover segment.
<b>Gross profit</b>	<b>235,851</b>	<b>41.40%</b>	<b>182,277</b>	<b>43.49%</b>	<b>29.4%</b>	

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**Further explanations regarding other items in the statement of income (NIS thousands):**

<b>Section</b>	<b>For the three-month period ended March 31, 2022</b>	<b>For the three-month period ended March 31, 2021</b>	<b>% change</b>	<b><u>Main explanations</u></b>
Research and development expenses	14,868	10,103	47.2%	The Company is pursuing its development plan, the key element of which is to realize the Company's vision to lead the field while continuing to develop new generations of robots and new water technology products. Development costs in the water monitoring, control and treatment segment in the reporting period amounted to NIS 4.7 million.
Selling and marketing expenses	46,475	32,984	40.9%	Selling and marketing expenses supported an increase of 35.9% in revenue. The increase is largely due to a considerable increase in the cost of shipping products to customers following the rise in shipping rates as well as use of air freight services, additions to the workforce in most regions to support the Company's "Maytronics 2025" strategy, and an increase in advertising and promotional expenses.
General and administrative expenses	31,645	26,935	17.5%	G&A expenses rose by NIS 4.7 million. Most of the increase is attributed to an increase in workforce in management departments and mainly in IT following the accelerated growth of the Company's business and to support the Company's "Maytronics 2025" strategy, as well as general expenses affected by business growth (e.g., local taxes and depreciation).
<b>Operating profit</b>	<b>142,863</b>	<b>112,255</b>	<b>27.3%</b>	Operating profit increased as a result of sales growth and the increase in gross profit and was offset by the increase in operating expenses.
Finance expenses, net	3,069	2,431	26.2%	In the reporting period, net finance expenses were recorded due to higher interest on greater credit volumes. In the corresponding period, the Company recorded net finance expenses due to higher interest on greater credit volumes as well as net effects of exchange rate changes in the Group.
Other income (expenses)	11	(24)	-	-
<b>Income before taxes</b>	<b>139,783</b>	<b>109,848</b>	<b>27.3%</b>	The increase is largely due to the increase in operating profit.
Taxes on income	24,592	18,545	32.6%	The increase in tax expenses is the result of the growth in taxable income. The effective tax rate was 17.6% compared to 16.9% in the corresponding period last year, mainly due to a provision for income tax on the dividend declared in March 2022 following Amendment 74 to the Encouragement of Capital Investments Law and a change in the profit mix.
<b>Net income</b>	<b>115,191</b>	<b>91,303</b>	<b>26.2%</b>	Net income increased due to the increase in operating profit and was offset by the increase in finance expenses and tax expenses as described.

## 5. Equity

On March 31, 2022, the Company's equity, before non-controlling interests, amounted to NIS 602,814 thousand, constituting 34.4% of assets, compared to NIS 499,179 thousand, constituting 39.2% of assets, last year. The increase in equity is largely due to the increase in the Company's profits and was offset by the distribution of a dividend. The decrease in the equity-to-asset ratio is the result of the relative increase in the Company's liabilities.

Non-controlling interests represent the non-controlling interests in MTFR and in MTAU. On March 31, 2022, non-controlling interests amounted to NIS 38,762 thousand, compared to NIS 32,711 thousand on March 31 last year. The increase in non-controlling interests is largely due to an increase in the profits of the subsidiaries over the period.

## 6. Cash flows

**Cash flow summary** – On March 31, 2022, cash and cash equivalents amounted to NIS 149,248 thousand, compared to NIS 142,112 thousand last year.

In total, in the reporting period cash balances for the period decreased by NIS 88,531 thousand, compared to a decrease of NIS 84,405 thousand in the corresponding period last year.

The changes were due to the following factors:

**Cash flows from operating activities** – In the reporting period, the Company consumed operating cash flows amounting to NIS 220.9 million, compared to cash flows of NIS 116 million consumed by the Company in the corresponding period last year.

Due to the seasonality factor, the sales volume in the first quarter of the year is very high following early-buy transactions, and the volume of trade receivables increases while collection is relatively limited. Consequently, the operating cash flow is negative. Based on past experience, in the second and third quarters collection from customers is expected to increase and to strengthen the cash flow from operating activities.

**Cash flows from investing activities** – In the reporting period, cash flows used in investing activities amounted to approximately NIS 15.2 million, compared to NIS 15.7 million used by the Company in investing activities in the corresponding period last year. In the reporting period, the Company invested less in fixed assets.

**Cash flows from financing activities** – In the reporting period, the Company generated cash flows from financing activities amounting to NIS 145.1 million, compared to NIS 46 million generated in the corresponding period last year. In the reporting period, the Company secured greater short- and long-term credit, mainly for its working capital requirements.

## 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 Periodic Report for 2021).

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. Approximately 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 vs. 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 the 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).

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.

**Unofficial Translation from Hebrew**

**Statement of financial position according to linkage bases as of March 31, 2022**

	<b>USD- linked</b>	<b>EUR- linked</b>	<b>AUD- linked</b>	<b>CPI- linked</b>	<b>Unlinked and other</b>	<b>Non- financial instru- ment</b>	<b>Total</b>
	<b>NIS thousands</b>						
<b>Assets</b>							
Cash and cash equivalents	50,335	41,384	42,943	-	14,586	-	149,248
Short-term investments	51	-	-	7,731	10,979	-	18,761
Trade receivables, net	274,974	184,255	30,475	-	10,521	-	500,225
Other accounts receivable	1,760	3,718	2,292	-	67,184	-	74,954
Inventory	-	-	-	-	-	542,739	542,739
Long-term deposits and debit balances	-	628	915	-	30	-	1,573
Fixed assets, net	-	-	-	-	-	156,550	156,550
Right-of-use assets, net	-	-	-	-	-	107,124	107,124
Intangible assets, net	-	-	-	-	-	174,284	174,284
Deferred taxes, net	-	-	-	-	-	25,611	25,611
<b>Total assets</b>	<b>327,120</b>	<b>229,985</b>	<b>76,625</b>	<b>7,731</b>	<b>103,300</b>	<b>1,006,308</b>	<b>1,751,069</b>
<b>Liabilities</b>							
Short-term credit	54,247	16,518	6,070	-	304,731	-	381,566
Trade payables	46,342	16,340	3,941	-	154,335	-	220,958
Dividend payable	-	-	-	-	60,000	-	60,000
Other accounts payable	48,354	31,548	9,956	-	96,993	-	186,851
Lease liabilities	-	-	-	-	-	111,270	111,270
Deferred liability of acquired subsidiary	-	15,572	-	-	-	-	15,572
Deferred taxes	-	-	-	-	-	2,112	2,112
Liabilities in respect of employee benefits, net	-	-	-	-	-	4,533	4,533
Other liabilities	22,236	2,082	552	-	101,761	-	126,631
<b>Total liabilities</b>	<b>171,179</b>	<b>82,060</b>	<b>20,519</b>	<b>-</b>	<b>717,820</b>	<b>117,915</b>	<b>1,109,493</b>
<b>Net balance</b>	<b>155,941</b>	<b>147,925</b>	<b>56,106</b>	<b>7,731</b>	<b>(614,520)</b>	<b>888,393</b>	<b>641,576</b>

**Unofficial Translation from Hebrew**

**Statement of financial position according to linkage bases as of March 31, 2021**

	<b>USD- linked</b>	<b>EUR- linked</b>	<b>AUD- linked</b>	<b>CPI- linked</b>	<b>Unlinked and other</b>	<b>Non- financial instru- ment</b>	<b>Total</b>
<b>NIS thousands</b>							
<b>Assets</b>							
Cash and cash equivalents	15,840	54,850	39,749	-	31,673	-	142,112
Short-term investments	153	-	-	7,754	10,562	-	18,469
Trade receivables, net	194,516	132,585	27,342	-	5,841	-	360,284
Other accounts receivable	1,844	3,684	1,505	-	33,085	-	40,118
Inventory	-	-	-	-	-	311,249	311,249
Long-term deposits and debit balances	-	700	767	-	105	-	1,572
Fixed assets, net	-	-	-	-	-	118,418	118,418
Right-of-use assets, net	-	-	-	-	-	104,987	104,987
Intangible assets, net	-	-	-	-	-	147,315	147,315
Deferred taxes	-	-	-	-	-	27,509	27,509
<b>Total assets</b>	<b>212,353</b>	<b>191,819</b>	<b>69,363</b>	<b>7,754</b>	<b>81,266</b>	<b>709,478</b>	<b>1,272,033</b>
<b>Liabilities</b>							
Short-term credit	59,613	19,345	-	-	112,736	-	191,694
Trade payables	25,662	13,623	1,763	-	102,289	-	143,337
Dividend payable	-	-	-	-	45,000	-	45,000
Other accounts payable	33,137	30,883	8,825	-	74,582	-	147,427
Lease liabilities	-	-	-	-	-	108,020	108,020
Deferred liability of acquired subsidiary	-	34,125	-	-	-	-	34,125
Deferred taxes	-	-	-	-	-	3,342	3,342
Liabilities in respect of employee benefits, net	-	-	-	-	-	4,626	4,626
Other liabilities	-	4,778	487	-	57,307	-	62,572
<b>Total liabilities</b>	<b>118,412</b>	<b>102,754</b>	<b>11,075</b>	<b>-</b>	<b>391,914</b>	<b>115,988</b>	<b>740,143</b>
<b>Net balance</b>	<b>93,941</b>	<b>89,065</b>	<b>58,288</b>	<b>7,754</b>	<b>(310,648)</b>	<b>593,490</b>	<b>531,890</b>

May 17, 2022

\_\_\_\_\_  
Yonatan Bassi  
Chairman of the Board

\_\_\_\_\_  
Sharon Goldenberg  
Chief Executive Officer

\_\_\_\_\_  
Date of approval of the  
Board of Directors' Report

**Maytronics Ltd.**

**Interim Consolidated Financial Statements**  
**(Unaudited)**  
**As of March 31, 2022**

**Maytronics Ltd.**

**Interim Consolidated Financial Statements as of March 31, 2022**

**Unaudited**

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## Unofficial Translation from Hebrew

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2 Palyam Ave., Brosh Building, Fax: +972-3-5633428  
Haifa 3309502 ey.com

### 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 March 31, 2022, as well as the condensed consolidated statements of income and other comprehensive income, changes in equity and cash flows, for the three-month period 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 this interim period, 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 25% of total consolidated assets as of March 31, 2022, and whose revenue as included in the consolidation constitutes approximately 50% of total consolidated revenue for the three-month period 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,  
May 17, 2022

Kost Forer Gabbay & Kasierer  
Certified Public Accountants

**Consolidated Statements of Financial Position**

	<u>March 31,</u>		<u>December 31,</u>
	<u>2022</u>	<u>2021</u>	<u>2021</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>NIS thousands</u>		
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	149,248	142,112	237,779
Short-term investments	18,761	18,469	19,620
Trade receivables, net	500,225	360,284	115,917
Other accounts receivable	74,954	40,118	79,502
Inventory	542,739	311,249	529,705
	<u>1,285,927</u>	<u>872,232</u>	<u>982,523</u>
<b>NON-CURRENT ASSETS:</b>			
Long-term receivables	1,573	1,572	1,708
Fixed assets, net	156,550	118,418	151,308
Right-of-use assets, net	107,124	104,987	108,808
Intangible assets, net	174,284	147,315	164,475
Deferred taxes, net	25,611	27,509	27,274
	<u>465,142</u>	<u>399,801</u>	<u>453,573</u>
	<u>1,751,069</u>	<u>1,272,033</u>	<u>1,436,096</u>

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

**Consolidated Statements of Financial Position**

	March 31,		December 31,
	2022	2021	2021
	Unaudited		Audited
	NIS thousands		
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Credit from banks	381,566	191,694	282,766
Current maturities of lease liabilities	20,711	16,721	20,394
Current maturities of deferred liability of acquired subsidiary	15,572	17,271	15,462
Trade payables	220,958	143,337	222,574
Income tax payable	18,862	21,322	5,899
Dividend payable	60,000	45,000	-
Other accounts payable	149,860	110,959	119,544
Provisions	18,129	15,146	15,431
	<u>885,658</u>	<u>561,450</u>	<u>682,070</u>
<b>NON-CURRENT LIABILITIES:</b>			
Loans from banks	119,013	53,777	62,671
Lease liabilities	90,559	91,299	92,373
Deferred liability of acquired subsidiary	-	16,854	-
Employee benefit liabilities, net	4,533	4,626	4,448
Other long-term liabilities	7,618	8,795	6,983
Deferred taxes	2,112	3,342	1,875
	<u>223,835</u>	<u>178,693</u>	<u>168,350</u>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:</b>			
Share capital	11,210	11,187	11,210
Share premium	113,071	111,729	113,071
Treasury shares	(500)	(500)	(500)
Retained earnings	513,698	399,565	461,893
Capital reserve from share-based payment transactions	14,498	5,795	11,703
Capital reserve from transactions with controlling shareholder	164	164	164
Capital reserve from remeasurement of defined benefit plans	(1,654)	(1,981)	(1,654)
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	(42,925)	(22,032)	(44,081)
	<u>602,814</u>	<u>499,179</u>	<u>547,058</u>
Non-controlling interests	<u>38,762</u>	<u>32,711</u>	<u>38,618</u>
Total equity	<u>641,576</u>	<u>531,890</u>	<u>585,676</u>
	<u>1,751,069</u>	<u>1,272,033</u>	<u>1,436,096</u>

May 17, 2022

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.

Unofficial Translation from Hebrew

Maytronics Ltd.

Consolidated Statements of Profit and Loss and Other Comprehensive Income

	Three months ended March 31,		Year ended December 31,
	2022	2021	2021
	Unaudited		Audited
	NIS thousands (except earnings per share data)		
Revenues from sales	569,644	419,079	1,409,395
Cost of sales	333,793	236,802	816,132
Gross profit	235,851	182,277	593,263
Research and development expenses	14,868	10,103	46,582
Selling and marketing expenses	46,475	32,984	155,408
General and administrative expenses	31,645	26,935	113,553
Operating profit	142,863	112,255	277,720
Other income (expenses), net	(11)	24	(114)
Finance income	612	2,834	34,384
Finance expenses	(3,681)	(5,265)	(30,156)
Income before taxes	139,783	109,848	281,834
Taxes on income	24,592	18,545	41,580
Net profit	115,191	91,303	240,254
Other comprehensive income (loss):			
Amounts that will be reclassified to profit or loss upon satisfaction of specific conditions:			
Adjustments arising from translation of financial statements of foreign operations	2,014	5,057	(21,276)
Amounts that will not subsequently be reclassified to profit or loss:			
Remeasurement gains from defined benefit plans	-	-	327
Total other comprehensive income (loss)	2,014	5,057	(20,949)
Total comprehensive income	117,205	96,360	219,305
Net profit attributable to:			
Equity holders of the Company	111,805	86,602	224,012
Non-controlling interests	3,386	4,701	16,242
	115,191	91,303	240,254
Total comprehensive income attributable to:			
Equity holders of the Company	112,961	91,539	207,227
Non-controlling interests	4,244	4,821	12,078
	117,205	96,360	219,305
Net basic earnings per share attributable to equity holders of the Company (in NIS):	1.02	0.80	2.05
Net diluted earnings per share attributable to equity holders of the Company (in NIS):	1.02	0.79	2.04

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

Consolidated Statements of Changes in Equity

Attributable to equity holders of the Company													
Share capital	Share premium	Treasury shares	Retained earnings	Capital reserve from share-based payment transactions	Capital reserve from transactions with controlling shareholder	Adjustments arising from translation of financial statements of foreign operations	Capital reserve from remeasurement of defined benefit plans	Revaluation surplus	Capital reserve from transactions with non-controlling interests	Total	Non-controlling interests	Total equity	
Unaudited													
NIS thousands													
<u>Balance as of January 1, 2022</u> <u>(Audited)</u>	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	-	-	-	111,805	-	-	-	-	-	-	111,805	3,386	115,191
Other comprehensive income - adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	-	1,156	-	-	-	1,156	858	2,014
Total other comprehensive income	-	-	-	-	-	-	1,156	-	-	-	1,156	858	2,014
Total comprehensive income	-	-	-	111,805	-	-	1,156	-	-	-	112,961	4,244	117,205
Dividend declared and not yet paid	-	-	-	(60,000)	-	-	-	-	-	-	(60,000)	-	(60,000)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(4,100)	(4,100)
Cost of share-based payment	-	-	-	-	2,795	-	-	-	-	-	2,795	-	2,795
<u>Balance as of March 31, 2022</u>	<u>11,210</u>	<u>113,071</u>	<u>(500)</u>	<u>513,698</u>	<u>14,498</u>	<u>164</u>	<u>(42,925)</u>	<u>(1,654)</u>	<u>2,147</u>	<u>(6,895)</u>	<u>602,814</u>	<u>38,762</u>	<u>641,576</u>

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

Consolidated Statements of Changes in Equity

	Attributable to equity holders of the Company												
	Share capital	Share premium	Treasury shares	Retained earnings	Capital reserve from share-based payment transactions	Capital reserve from transactions with controlling shareholder	Adjustments arising from translation of financial statements of foreign operations	Capital reserve from remeasurement of defined benefit plans	Revaluation surplus	Capital reserve from transactions with non-controlling interests	Total	Non-controlling interests	Total equity
	Unaudited												
	NIS thousands												
<u>Balance as of January 1, 2021</u> <u>(Audited)</u>	11,116	108,007	(500)	357,963	8,440	164	(26,969)	(1,981)	2,147	(6,895)	451,492	31,689	483,181
Net income	-	-	-	86,602	-	-	-	-	-	-	86,602	4,701	91,303
Other comprehensive income - adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	-	4,937	-	-	-	4,937	120	5,057
Total other comprehensive income	-	-	-	-	-	-	4,937	-	-	-	4,937	120	5,057
Total comprehensive income	-	-	-	86,602	-	-	4,937	-	-	-	91,539	4,821	96,360
Exercise of share options	71	3,722	-	-	(3,722)	-	-	-	-	-	71	-	71
Dividend declared and not yet paid	-	-	-	(45,000)	-	-	-	-	-	-	(45,000)	-	(45,000)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(3,799)	(3,799)
Cost of share-based payment	-	-	-	-	1,077	-	-	-	-	-	1,077	-	1,077
<u>Balance as of March 31, 2021</u>	<u>11,187</u>	<u>111,729</u>	<u>(500)</u>	<u>399,565</u>	<u>5,795</u>	<u>164</u>	<u>(22,032)</u>	<u>(1,981)</u>	<u>2,147</u>	<u>(6,895)</u>	<u>499,179</u>	<u>32,711</u>	<u>531,890</u>

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

Consolidated Statements of Changes in Equity

	Attributable to equity holders of the Company												
	Share capital	Share premium	Treasury shares	Retained earnings	Capital reserve from share-based payment transactions	Capital reserve from transactions with controlling shareholder	Adjustments arising from translation of financial statements of foreign operations	Capital reserve from remeasurement of defined benefit plans	Revaluation surplus	Capital reserve from transactions with non-controlling interests	Total	Non-controlling interests	Total equity
	Audited												
	NIS thousands												
<u>Balance as of January 1, 2021</u>	11,116	108,007	(500)	357,963	8,440	164	(26,969)	(1,981)	2,147	(6,895)	451,492	31,689	483,181
Net income	-	-	-	224,012	-	-	-	-	-	-	224,012	16,242	240,254
Other comprehensive income (loss) - adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	-	(17,112)	-	-	-	(17,112)	(4,164)	(21,276)
Income from remeasurement of defined benefit plans	-	-	-	-	-	-	-	327	-	-	327	-	327
Total other comprehensive income (loss)	-	-	-	-	-	-	(17,112)	327	-	-	(16,785)	(4,164)	(20,949)
Total comprehensive income (loss)	-	-	-	224,012	-	-	(17,112)	327	-	-	207,227	12,078	219,305
Exercise of share options	94	5,064	-	-	(5,064)	-	-	-	-	-	94	-	94
Dividend paid	-	-	-	(120,082)	-	-	-	-	-	-	(120,082)	-	(120,082)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(5,149)	(5,149)
Cost of share-based payment	-	-	-	-	8,327	-	-	-	-	-	8,327	-	8,327
<u>Balance as of December 31, 2021</u>	<u>11,210</u>	<u>113,071</u>	<u>(500)</u>	<u>461,893</u>	<u>11,703</u>	<u>164</u>	<u>(44,081)</u>	<u>(1,654)</u>	<u>2,147</u>	<u>(6,895)</u>	<u>547,058</u>	<u>38,618</u>	<u>585,676</u>

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

**Consolidated Statements of Cash Flows**

	Three months ended		Year ended
	March 31,		December 31,
	2022	2021	2021
	Unaudited		Audited
	NIS thousands		
<u>Cash flows from operating activities:</u>			
Net income	115,191	91,303	240,254
<u>Adjustments to reconcile net profit to net cash provided by operating activities:</u>			
Adjustments to profit or loss items:			
Taxes on income	8,762	6,812	47,043
Deferred taxes, net	2,019	(1,677)	(3,329)
Finance expenses, net	2,181	1,600	7,049
Depreciation and amortization	14,626	13,287	56,211
Cost of share-based payment	2,795	1,077	8,327
Revaluation of options to Kibbutz members	(432)	1,703	(582)
Increase in employee benefit liabilities, net	85	71	246
Interest accrued on long-term deposit and exchange differences on investments	44	(283)	(947)
Capital loss (gain) from sale of fixed assets, net	17	(5)	(139)
Revaluation of securities measured at fair value through profit or loss, net	587	(194)	(1,006)
Changes in fair value of derivatives, net	3,015	384	(23,133)
Exchange differences on cash and cash equivalents	(1,539)	905	8,656
	32,160	23,680	98,396
Changes in asset and liability items:			
Increase in trade receivables	(384,876)	(274,009)	(41,111)
Decrease (increase) in other accounts receivable (including long-term)	1,706	(3,740)	(20,459)
Decrease (increase) in inventories	(9,906)	19,137	(216,265)
Increase (decrease) in trade payables	(11,172)	1,640	90,691
Increase in other accounts payable, provisions and taxes payable	46,281	34,205	33,801
Increase in other liabilities	682	154	630
	(327,285)	(222,613)	(152,713)
Cash paid and received during the period for:			
Interest and dividend received	94	104	468
Interest paid	(2,275)	(1,704)	(7,517)
Taxes paid	(8,762)	(6,812)	(47,043)
	(10,943)	(8,412)	(54,092)
Net cash provided by (used in) operating activities	(220,877)	(116,042)	131,845

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



**Consolidated Statements of Cash Flows**

	Three months ended		Year ended
	March 31,		December 31,
	2022	2021	2021
	Unaudited		Audited
	NIS thousands		
<u>Cash flows from investing activities:</u>			
Purchase and capitalization of intangible assets	(10,908)	(6,299)	(39,613)
Purchase of fixed assets	(4,583)	(9,435)	(52,941)
Proceeds from sale of fixed assets	30	18	266
Repayment of deferred liability of acquired subsidiary	-	-	(15,962)
Proceeds from sale (purchase) of securities measured at fair value through profit or loss, net	272	28	(311)
Net cash used in investing activities	<u>(15,189)</u>	<u>(15,688)</u>	<u>(108,561)</u>
<u>Cash flows from financing activities:</u>			
Proceeds from exercise of options	-	71	94
Receipt of short-term credit, net	83,459	60,966	147,709
Receipt of long-term loans	80,000	-	32,030
Repayment of long-term loans	(8,892)	(6,814)	(24,208)
Dividend paid to shareholders of the Company	-	-	(120,082)
Dividend paid to non-controlling interests	(4,100)	(3,799)	(5,149)
Repayment of lease liability	(5,333)	(4,393)	(19,192)
Net cash provided by financing activities	<u>145,134</u>	<u>46,031</u>	<u>11,202</u>
Exchange differences on cash and cash equivalent balances	1,539	(905)	(8,656)
Translation differences from cash balances of foreign operations	862	2,199	(14,568)
Increase (decrease) in cash and cash equivalents	(88,531)	(84,405)	11,262
Cash and cash equivalents at the beginning of the period	<u>237,779</u>	<u>226,517</u>	<u>226,517</u>
Cash and cash equivalents at the end of the period	<u>149,248</u>	<u>142,112</u>	<u>237,779</u>
<u>(A) Significant non-cash transactions:</u>			
Purchase of fixed assets and intangible assets on credit	<u>8,009</u>	<u>5,925</u>	<u>12,161</u>
Dividend declared and not yet paid	<u>60,000</u>	<u>45,000</u>	<u>-</u>
Recognition of right-of-use asset against lease liability	<u>3,452</u>	<u>13,610</u>	<u>35,299</u>

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

**Notes to the Interim Consolidated Financial Statements**

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Note 1 - General

These financial statements were prepared in a condensed format as of March 31, 2022, and for the three-month period 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, 2021 and for the year then ended, as well as the accompanying notes (hereinafter: the “Consolidated Annual Financial Statements”).

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 the following.

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

Amendment to IFRS 3, Business Combinations

In May 2020, the IASB issued an amendment to IFRS 3, Business Combinations, in reference to the conceptual framework. The amendment was intended to replace a reference to the framework for the preparation and presentation of financial statements with a reference to the Conceptual Framework for Financial Reporting that was issued in March 2018, without significantly changing its requirements.

The amendment added an exception to the recognition principle of IFRS 3 to avoid recognition, immediately after the business combination, of ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21, if incurred separately.

According to the exception, the buyer will apply IAS 37 or IFRIC 21, according to the circumstances, to determine whether at the acquisition date a present obligation exists as a result of past events or whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date, respectively, instead of according to the conceptual framework.

The amendment also clarifies that contingent assets will not be recognized on the business combination date.

The amendment was applied prospectively for annual reporting periods beginning on January

**Notes to the Interim Consolidated Financial Statements**

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Note 3 - 1, 2022.  
First-time Adoption of Amendments to Current Accounting Standards (cont'd)

Amendment to IFRS 3, Business Combinations (cont'd)

The above amendment had no effect on the Interim Consolidated Financial Statements of the Company.

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

Management monitors the operating results of its business units separately to decide on resource allocation and for performance assessment.

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

Unofficial Translation from Hebrew

Maytronics Ltd.

Notes to the Interim Consolidated Financial Statements

Note 5 - Operating Segments (cont'd)

B. Report on operating segments

	Manufacture of residential pool robotic cleaners	Manufacture of public pool robotic cleaners	Pool safety products and related pool products	Total
	Unaudited			
	NIS thousands			
<u>For the three-month period ended</u>				
<u>March 31, 2022</u>				
Total revenues from externals	516,548	19,765	33,331	569,644
Total segment profit	212,772	9,924	13,155	235,851
Unallocated shared expenses				(92,988)
Other expenses, net				(11)
Finance expenses, net				(3,069)
Income before taxes				139,783

	Manufacture of residential pool robotic cleaners	Manufacture of public pool robotic cleaners	Pool safety products and related pool products	Total
	Unaudited			
	NIS thousands			
<u>For the three-month period ended</u>				
<u>March 31, 2021</u>				
Total revenues from externals	369,828	23,479	25,772	419,079
Total segment profit	160,907	12,414	8,956	182,277
Unallocated shared expenses				(70,022)
Other income, net				24
Finance expenses, net				(2,431)
Income before taxes				109,848

**Unofficial Translation from Hebrew**

**Maytronics Ltd.**

**Notes to the Interim Consolidated Financial Statements**

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	Pool safety products and related pool products	Total
	Audited			
	NIS thousands			
<u>For the year ended December 31, 2021</u>				
Total revenues from externals	<u>1,192,105</u>	<u>76,534</u>	<u>140,756</u>	<u>1,409,395</u>
Total segment profit	<u>500,127</u>	<u>41,360</u>	<u>51,776</u>	<u>593,263</u>
Unallocated shared expenses				(315,543)
Other expenses, net				(114)
Finance income, net				<u>4,228</u>
Income before taxes				<u>281,834</u>

C. Geographical information

Sales by geographical market (by customer location):

	For the three months ended March 31,		For the year ended December 31,
	2022	2021	2021
	Unaudited		Audited
	NIS thousands		
Europe	239,578	176,295	618,935
North America	270,075	195,698	574,105
Oceania	36,908	34,089	157,554
Rest of World	<u>23,083</u>	<u>12,997</u>	<u>58,801</u>
	<u>569,644</u>	<u>419,079</u>	<u>1,409,395</u>

**Notes to the Interim Consolidated Financial Statements**

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Note 6 - Events During and After the Reporting Period

- A. On February 13, 2022, further to the approval and recommendation of the Remuneration Committee on February 6, 2022, the Board of Directors of the Company approved the expansion of the Company's option plan, such that the Company may allot up to 3,190,000 additional (non-marketable) options, exercisable for up to 3,190,000 additional ordinary shares. The plan is based on a cashless exercise facility. On February 24, 2022, the Company published an outline in accordance with the foregoing.
- B. On February 13, 2022, further to the approval of the Remuneration Committee on February 6, 2022 and subject to the approval of the General Meeting of the Company, the Board of Directors passed a resolution to grant 240,000 options to the Company CEO, Mr. Sharon Goldenberg. The allotment is in accordance with the Company's option plan and by virtue of an outline published by the Company on February 24, 2022. The options are convertible into ordinary shares of the Company of NIS 0.1 par value each, plus an exercise increment of NIS 74.02. The vesting conditions of the options are 25% after one year, 25% after two years, 25% after three years and 25% after four years. All options will be exercised on a cashless exercise basis. The estimated fair value of the options granted on the date of the Board of Directors' approval was set at approximately NIS 4 million. Following are the data used to measure the fair value of the options on the grant date according to the Black-Scholes model with respect to the above plan: share price – NIS 71.01; volatility – 34.6%; expected life of the options – 5 years; risk-free interest rate – 0.38%; forfeiture rate – 9%.
- C. On March 23, 2022, the Board of Directors of the Company passed a resolution to distribute a cash dividend of NIS 60 million gross. The dividend was paid on April 27, 2022, after the date of the statement of financial position. The record date was set for April 3, 2022.
- D. On May 17, 2022, the Board of Directors of the Company passed a resolution to grant 817,500 options to Company employees and managers. The allotment is in accordance with the Company's option plan and by virtue of an outline published by the Company on February 24, 2022. The options are convertible into ordinary shares of the Company of NIS 0.1 par value each, plus an exercise increment of NIS 59.71. The vesting conditions of the options are 25% after one year, 25% after two years, 25% after three years and 25% after four years. The estimated fair value of the options granted on the date of the Board of Directors' approval was set at approximately NIS 10.3 million. Following are the data used to measure the fair value of the options on the grant date according to the Black-Scholes model with respect to the above plan: share price – NIS 53; volatility – 35.4%; expected life of the options – 4 years; risk-free interest rate – 1.84%; forfeiture rate – 9%.

Notes to the Interim Consolidated Financial Statements

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