Maytronics Ltd.

Board of Directors' Report on the State of the Company's Affairs For the Period Ended June 30, 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 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"); in France, by the subsidiary Maytronics France ("MTFR") and by an external distributor; in Australia, through the subsidiary Maytronics Australia ("MTAU"); and in Germany, through the subsidiary Bünger & Frese ("BF") as well as external distributors. After the reporting date and as described below, the Company launched eCommerce operations through the new subsidiary, Backyard, which works out of Texas. The Company is significantly affected by seasonality, and 65% of its sales in 2021, 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.

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:**

The Company's sales in the second quarter grew by 13.6% compared to the corresponding period last year and by 16% in local currency. Sales in the residential pool market in the quarter grew by 15.1% and by 17.4% excluding foreign currency effects. The increase in effective selling prices in the second quarter accounts for 5.7% of revenue growth. In the six-month period, the Company's sales increased by 23.8% and by 27.6% in local currency compared to the corresponding half last year.

The second quarter was marked by continuing demand for residential pool robotic cleaners in all major regions. However, it is noted that the Company did not realize the sales potential of all inventories in transit to customers due to supply chain challenges, mainly at destination ports in the US, which were planned to have been sold until the end of June, and consequently, part of these sales was delayed to July 2022.

In the public pool segment, the Company experienced an increase in demand, which in the second quarter was translated into 20% sales growth.

Despite challenging macro conditions and cold, wet weather until late May in Europe and most of the US, the Company's Europe sales in the second quarter were up 19% in local currency; in the US, sales in the quarter were up 15% in local currency; and in Oceania, local currency sales grew 42%. In the half-year period, sales growth in local currency was 32% in Europe, 25% in the US and 26% in Oceania compared to the corresponding period last year.

The Company estimates that the pool market and the electronic cleaner market are on a trend of return to pre-COVID demand patterns in terms of the scope and timing of build-up in the distribution chain, the effects of the weather on the pool market, etc.

With respect to the annual sales forecast for 2022, the Company believes that it will meet the revenue growth rate of 18%-22%, as reported in May 2022.

The Company's estimate regarding growth potential in 2022 is **forward-looking information,** as defined in the Securities Law, 1968 (hereinafter: the "**Securities Law**"), which is based, inter alia, 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 or products enter the market, due to changing preferences of the Company's customers, due to unforeseen difficulties associated with its products and their further development, due to the consequences of the COVID-19 pandemic, 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 Backyard acquisition:** After the reporting date, on July 7, 2022, the Company's subsidiary in the US, Maytronics US, Inc. (hereinafter: "**MTUS**"), entered into an agreement with Eccxi Holdco, Inc. (hereinafter: the "**Seller**") and with Michael Hoffman and Christopher Hoffman, controlling shareholders of the Seller (hereinafter: the "**Sole Shareholders**"), for the acquisition of 70% of the share capital of Eccxi, LLC and the rights therein (hereinafter: "**Eccxi**" or the "**Acquiree**"). Eccxi is an American corporation wholly owned by the Seller, to which were transferred, prior to the closing of the transaction, the businesses of the Sole Shareholders in a group of companies known by its commercial name, Backyard (hereinafter and hereinbefore: "**Backyard**"), which specializes in eCommerce in the pool business. In this framework, Backyard is active in the sale of a variety of swimming pool products (mainly third-party brands), particularly through eCommerce marketplaces such as Amazon, Walmart, eBay, Google Shopping and Target, as well as through its own websites.

In consideration for 70% of the rights in Eccxi, MTUS undertook to pay USD 16.16 million (hereinafter: the "**Consideration**") in two equal installments, as follows: USD 8 million were paid on July 28, 2022 (the closing date), and USD 8 million will be paid one year after the closing. The second payment will be guaranteed by the Company. MTUS has also undertaken to also pay a contingent consideration of USD 4.5 million if the Group's results in 2022-2023 (average EBITDA for those years) are higher than the scope that was agreed[1]. The Backyard transaction was completed on July 28, 2022, and the Company is expected to consolidate Backyard in its financial statements commencing on said date.

The acquisition of Backyard Group is aligned with the Company's strategy, which focuses on digital transformation and on strengthening the relationship with the end customer. In this context, it is also noted that the US is one of the Company's major and most important markets, with an estimated 12.3 million swimming pools, of which the Company estimates only 1.8 million are cleaned by electronic robots (data are current as of the end of 2021 and refer to pools that are relevant to the Company's products[2]), meaning that this market offers significant growth potential in the next few years. The US market is characterized by product sales in both the professional store segment and the eCommerce segment, and in accordance with the Company's 2025 strategy and its vision, the Company is working to maximize the business opportunity inherent in penetrating millions of pools without advanced cleaning and water treatment equipment. To this end, the Company is taking action to increase awareness of the Company's brand and its robotic cleaners in broad channels, placing significant

[1] For further conditions relating to the contingent payment, see the abovementioned Immediate Report of July 8, 2022.
[2] With respect to potential pools of pools that are relevant to the Company's sales, see the discussion in section 2.1.1C in the Description of the Corporation's Business as of December 31, 2021.

emphasis on the penetration of smart robotic cleaners with cloud connectivity and cutting-edge technology, as well as future solutions in the water technologies category and other pool products. The acquisition of Backyard Group is a step toward realizing the Company's 2025 strategy in a way that will enable the Company to better support market needs and its business partners, and to maximize the value that the Company is able to deliver to the end user in these markets.

The information regarding growth potential in the US market and the Company's ability to leverage this potential to grow its sales, as well as regarding the ramp-up of its digital transformation, strengthening the Dolphin brand and expanding the Company's sales channels, is **forward-looking information,** as defined in the Securities Law, 1968, which is based on the Company's estimates and plans, as they are presently known to the Company. In the Company's opinion, the information may not materialize or may materialize differently than described above, inter alia, should the Company's estimates regarding this market turn out to be incorrect, or if its ability to exploit the potential and translate it into sales encounters unforeseen difficulties due to rival activities, changing preferences of the Company's customers, the Company's ability to maintain technological leadership, the fit of its products with this market, etc., as well as due to the materialization of any of the Company's other risk factors, as set forth in the Description of the Corporation's Business for 2021.

For further information on the transaction and its completion, see the Company's Immediate Reports of July 8, 2022 and July 31, 2022 (reference no. 2022-01-072273 and 2022-01-096949, respectively), which are incorporated by reference.

2.3 On June 30, 2022, the Company's **order backlog**, which is intended for sale in 2022, amounted to NIS 399.4 million compared to an order backlog of NIS 302 million on June 30, 2021, reflecting backlog growth of 32.2% in relation to last year. The increase is due to continuing elevated market demand for the Company's products this year and was mainly achieved in the residential pool robot segment following the boom in the private pool segment in all key regions.

The Company's estimate regarding growth potential in the various markets and the momentum in sales of the different robot lines in the various channels, as well as its estimates with respect to meeting the heightened 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 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 meeting increased demand for its products. Materialization of this estimate is uncertain and is beyond the Company's control. The estimate may not materialize or may materialize in part should new players or products enter the market, due to changing preferences of the Company's customers, due to unforeseen difficulties associated with its products and their further development, due to possible difficulties in hiring and in the procurement of necessary raw materials and augmentation of its manufacturing arrays, due to the consequences of the pandemic, which are unforeseeable at the present time, and the return of markets to normal, 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 Report for 2021.

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 45% of the Company's sales, weakened on average by a substantial 8.5% against the Shekel; the US Dollar, which accounted for 49% of the Company's sales, strengthened on average by 3.8% against the Shekel; and the Australian Dollar, which accounted for 4% of the Company's sales, weakened by 3.2%.
The effect of changes in exchange rates on sales, gross profit and operating profit compared to the corresponding quarter last year amounted to a decline of NIS 11.7 million in sales in the quarter (largely due to the weakening of the Euro), and a decline of NIS 13.5 million in gross profit and of NIS 12.3 million in operating profit (largely due to the weaker Euro).

Changes in the exchange rates of major currencies in the six-month period: The Euro, which accounted for 43% of the Company's sales, weakened on average by 7.7% against the Shekel; the US Dollar, which accounted for 49% of the Company's sales, strengthened on average by 1.5% against the Shekel; and the Australian Dollar, which accounted for 6% of the Company's sales, weakened on average by 6%.
The effect of changes in exchange rates on sales, gross profit and operating profit compared to the corresponding six-month period last year amounted to a decline of NIS 35 million in sales (largely due to the substantial weakening of the Euro), and a decline of NIS 29.5 million in gross profit and of NIS 26.5 million in operating profit, again largely due to the weaker Euro.

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

Furthermore, **after the reporting period, on August 16, 2022**, the Board of Directors declared an interim cash dividend for 2022 at an amount of NIS 65 million and NIS 0.594 per share, to be paid on September 29, 2022.

2.6 **Allotment of options to employees and managers:** On May 17, 2022, 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 into ordinary shares of the Company of NIS 0.1 par value each, to Company employees and managers in a cashless exercise transaction. Said allotment is in accordance with the Company's option plan, adopted by the Board of Directors following its approval by the Remuneration Committee in late 2017, and will be effectuated under the outline for the offer of securities to Company employees and managers that was published by the Company on May 17, 2022. For further information regarding the outline, see the Company's Immediate Report of May 17, 2022 (reference no. 2022-01-060169), the content whereof is incorporated by reference. It is noted that after the date of the report, on August 10, 2022, the Tel Aviv Stock Exchange (TASE) approved the listing of the underlying shares issued on the exercise of the options.

2.7 **Termination of office of an officer:** After the date of the report, on July 1, 2022, Mr. Shay Peretz ceased to serve as Vice President of M&A and DSC.

2.8 **General meetings:** After the reporting date, on July 14, 2022, 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 18, 2022, June 2, 2022 and July 17, 2022 (reference no. 2022-01-60259, 2022-01-069190 and 2022-01-074847, respectively), the contents whereof are incorporated by reference.

Further, in its meeting of August 16, 2022, the Board of Directors resolved to convene a general meeting to renew the appointment of the independent directors serving in office in the Company, which shall be held on October 3, 2022.

2.9 **Effects of the spread of COVID-19:** Further to the 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 by reference and forms an integral part of this report, following is an update by the Company:

a. **Supply chain:** In the second quarter and as at the reporting date the situation has improved, and the Company has been able to better address difficulties in the procurement of raw materials and the supply of various components, thus continuing to increase its production capacity. However, it is noted that the substantial increase in shipping costs and the increase in most raw material prices in the past year continued to place a burden on the Company's results in the second quarter. Further, despite the improvement, there remains some difficulty in the sourcing of various electronic components.

b. **The residential pool segment:** In the second quarter, the Company continued to experience growing demand and to benefit from increased sales, which grew by

15% and by 17.4% excluding foreign currency effects compared to the corresponding period last year. The Company estimates that the pool market and the electronic cleaner market are returning to pre-COVID demand patterns in terms of inventory management processes in the distribution chain, the effects of the weather on the pool market, etc.

c. **The public pool cleaner segment:** The Company's sales increased by 20% in the second quarter compared to the corresponding period. It is also noted that in this segment, the Company continues to experience difficulty in the availability of sector-specific electronic components, which led to an inability to supply all demand.

The Company's estimates regarding the spread of coronavirus and the consequences of supply chain difficulties on its financial position and operating results, as well as continued demand as described above, are **forward-looking information**, and as such, are 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 regarding COVID-19 to date, which may change from time to time, on the Company's 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 meeting increased demand for its products. Materialization of these estimates is uncertain and is beyond the Company's control. These estimates 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 should the conduct of the Company's customers, distributors and suppliers deviate from the above description or from any course of development that is foreseeable at this time, including as a result of a substantial lack of raw materials 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 further development, as a result of the conduct of its rivals, 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 Report for 2021.

2.10 **Effects of inflation and interest rates:** In the first half of 2022, the CPI in Israel increased by 3.1% (in total, in the past 12 months – June 2021 to June 2022 – the CPI rose by 4.4%), attesting to an increase in the cost of living and inflation in the local market. This is a sharp increase compared to the past few years, as well as compared to the Bank of Israel's projections for this period. Moreover, the uptrend in prices is global; according to the IMF's recently published World Economic Outlook Update, in 2022 inflation is expected to reach 6.6% in advanced economies and 9.5% in developing economies. Due to rising global prices, central banks around the world have begun to apply a process of raising interest rates with the aim of curbing price increases. Since April 2022, the Bank of Israel has raised the interest rate in increments from zero in recent years to 1.25% on the publication date of this report. According to forecasts by the Bank of Israel's Research Department, interest rates are expected to continue to rise by about 1.5% and to reach 2.75% by the second quarter of 2023. Following are possible implications of these events:

Inflation: Regarding the impact of price increase on inputs and raw material prices, see section 2.9a above and section 4 below. Furthermore, in the event of a substantial increase in raw material prices, the Company will assess the possibility of revising the sales prices of its products to maintain adequate margins, considering the limitations of market prices and such that its prices will enable the Company to remain competitive.
Additionally, regarding CPI-linked credit and agreements, given the Company's current position, the Company does not expect that inflation rates will have a material effect on its finance costs.

Interest: From time to time, the Company takes credit from banks, part of which is at floating interest rates. Consequently, the Company is exposed to changes in the prime rate. However, the Company estimates that given its current position, the effect of rising interest rates on its operating results is immaterial.

Company management constantly monitors developments in Israel and worldwide while assessing the possibilities open to it to address the implications of the above developments.

The Company's estimates regarding the implications of rising prices and the increase in the prime rate on its business are **forward-looking information**, and as such, are 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 estimates and assessments regarding the development of inflation and interest rates in Israel on the date of this report, on publications in Israel and worldwide, and on the decisions of the central banks in Israel and leading world markets, which may change from time to time, its understanding of conditions in the markets in which it is active, including the price sensitivity of its products, and its supply chain, and their materialization is uncertain and is beyond the Company's control. These estimates may not materialize or may materialize in part should the pace of inflation and interest rates in Israel and in countries where the Company has commercial relations increase considerably, should the conduct of the Company's customers, distributors, suppliers and rivals deviate from any course of development that is foreseeable at this time, due to unforeseen difficulties associated with its products and their further development, 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 On June 30, 2022, the Company's current assets amounted to NIS 1,431,959 thousand, constituting 74.2% of total assets, compared to current assets amounting to NIS 928,784 thousand and constituting 69.5% of total assets on June 30, 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 296.4 million, compared NIS 286.5 million at the end of the corresponding period last year, an increase of NIS 9.9 million.

b. An increase of NIS 323.4 million in **inventory balance** compared to June 30, 2021, largely due to increased production volumes and the Company's preparations for building up raw material inventory to maintain production continuity due to supply chain challenges, as described by the Company in its recent reports. These challenges led to a decision by the Company to make earlier purchases of components and raw materials to ensure a response to demand for its products and maintain manufacturing continuity to the greatest extent possible. As a result, the value of raw material inventory rose considerably. Furthermore, raw material prices increased over the past year. Finished goods inventory also increased due to shipping to overseas customers and inventory in-transit on June 30, en route to the Company's customers. This is also reflected in average days in inventory, which rose to 148 in the period compared to 108 days last year. In view of the expected trend of improvement in the supply chain and in the availability of some raw materials and expectations that demand in the pool industry will return to typical pre-COVID levels as described in sections 2.1 and 2.9 above, in the next quarters the Group will work on adjusting the scope of raw material inventories.

c. An increase of NIS 166.3 million in the balance of trade receivables, largely the result of sales growth and the mix of dates on which they were created. In the second quarter of 2022, the sales mix was more biased toward June compared to the corresponding quarter in 2021. Average customer days rose to 63 compared to 54 days in the corresponding period.

d. On June 30, 2022, the balance of other receivables amounted to NIS 53.2 million compared to NIS 49.7 million on June 30, 2021, an increase of NIS 3.5 million. The increase is largely due to a grant receivable under the Ministry of Economy Program/Employment Track, as well as an increase in VAT receivables and prepaid expenses, which were offset by the valuation of hedging transactions due to the increase in the exchange rates of the Euro and Australian Dollar as of June 30, 2022.

3.2 Long-term investments – On June 30, 2022, long-term deposits and debit balances amounted to NIS 1.8 million, compared to NIS 1.6 million on June 30, 2021, with no significant change between the periods.

3.3 Fixed assets – On June 30, 2022, the net balance of fixed assets amounted to NIS 167.2 million, compared to NIS 126.4 million on June 30, 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 expansion of manufacturing and operating areas and office buildings, investments in production lines and investments in machinery and equipment following growth in the Company's business.

3.4 Right-of-use assets – On June 30, 2022, the balance of right-of-use assets amounted to NIS 109.8 million, compared to NIS 105 million on June 30, 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 – On June 30, 2022, the net balance of intangible assets amounted to NIS 193.6 million, compared to NIS 153.5 million on June 30, 2021. The increase in intangible assets is largely due to the capitalization of development costs. In the six-month period the Company recorded investments of NIS 7.6 million in the pool water monitoring and control segment (compared to NIS 8.8 million last year), as well as investments of NIS 16.7 million in the robot segment.

3.6 Deferred tax assets – On June 30, 2022, the balance of deferred tax assets was NIS 24.7 million, compared to NIS 21.7 million on June 30, 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 increase in the tax asset is primarily due to timing differences in the Group.

3.7 On June 30, 2022, the Company's current liabilities amounted to NIS 939.5 million, constituting 48.7% of total liabilities, compared to NIS 528.6 million, constituting 39.5% of total liabilities, on June 30, 2021. Significant changes in current liabilities items include the following:

a. An increase of NIS 312.5 million in short-term credit for the Group's working capital requirements (increased inventory and higher trade receivables) and fair value hedges.

b. An increase of NIS 84.5 million in trade payables due to business growth and increased inventories in the reporting period. Average supplier days rose to 61 compared to 51 days in the corresponding period last year.

c. An increase of NIS 17.5 million in other accounts payable, largely due to an increase in liabilities to employees and institutions, and an increase in accrued expenses following growth in the Company's business.

3.8 On June 30, 2022, the Company's long-term liabilities amounted to NIS 217.6 million, compared to NIS 170.8 million on June 30, 2021. Most of the increase is attributed to an increase in long-term bank loans taken by companies in the Group.

3.9 **Liquidity ratios**

	June 30, 2022	June 30, 2021
Working capital (NIS thousands)	492,422	400,163
Current ratio	1.52	1.76
Quick ratio	0.89	1.24

The Company's working capital increased by 23% compared to June 30, 2021, mostly due to growth in the Company's profits. The decline in the current ratio is the result of the increase in current liabilities items. The decline in the quick ratio is the result of the increase in current liabilities items and the increase 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 half and second quarter of 2022 and 2021:

Item	January-June 2022	January-June 2021	April-June 2022	April-June 2021
Sales revenue	1,135,962	917,621	566,318	498,542
Gross profit	464,314	400,668	228,463	218,391
% gross profit	40.9%	43.7%	40.3%	43.8%
Operating profit	272,545	249,811	129,682	137,556
% operating profit	24.0%	27.2%	22.9%	27.6%
Net profit	224,692	201,502	109,501	110,199
% net profit	19.8%	22.0%	19.3%	22.1%

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

	For the three-month period ended June 30 2022		For the three-month period ended June 30 2021			
1. Segment revenues:	**NIS thousands**	**% of total revenues**	**NIS thousands**	**% of total revenues**	**% change**	**Explanations**
Residential pool cleaners	493,825	87.2%	428,916	86.0%	15.1%	Growth in local currency was 17.4% and is due to continuing elevated demand for private pool robots in all markets in the Northern Hemisphere and to high growth in Oceania sales, as well as increased sales prices in the different regions.
Public pool cleaners	23,616	4.2%	19,681	4.0%	20.0%	Growth in the second quarter is largely attributed to the recovery of sales to the hotel sector and an improvement in the Company's ability to supply the demand for these products, despite the challenges described in section 2.9 above.
Safety products and related pool products	48,877	8.6%	49,945	10.0%	(2.1%)	In local currency, the segment grew by 6%. The relative decline in the growth rates customarily experienced by the Company in the segment is attributed to the related pool product category. These products are mainly sold in Europe to the new pool construction sector. By contrast, sales of water treatment products increased.
Total revenues	**566,318**	**100.0%**	**498,542**	**100.0%**	**13.6%**	
2. Segment results:	**NIS thousands**	**% gross profit**	**NIS thousands**	**% gross profit**	**% change**	
Residential pool cleaners	197,365	40.0%	187,882	43.8%	5.0%	The increase in gross profit is due to revenue growth. The decrease in the gross margin is mainly due to: 1. Foreign currency effects – a significant drop of 8.5% in the Euro exchange rate; 2. An increase in raw material prices and in sea and air freight shipping rates, which offset the increase in sales prices and higher sales volumes.
Public pool cleaners	12,388	52.5%	10,734	54.5%	15.4%	The drop in the gross margin is due to the increase in raw material prices and in sea and air freight shipping rates and the weakening of the major currencies against the Shekel in the reporting period.
Safety products and related pool products	18,710	38.3%	19,775	39.6%	(5.4%)	The drop in the gross margin is largely due to the weakening of the major currencies against the Shekel in the reporting period and the product mix.
Gross profit	**228,463**	**40.3%**	**218,391**	**43.8%**	**4.6%**	

Following is an analysis of revenue and gross profit, reported by segment						
	For the six-month period ended June 30		**For the six-month period ended June 30**			
	2022		**2021**			
1. Segment revenues:	**NIS thousands**	**% of total revenues**	**NIS thousands**	**% of total revenues**	**% change**	**Explanations**
Residential pool cleaners	1,010,373	89.0%	798,744	87.0%	26.5%	Growth in local currency was 28.8% and is due to increased demand for robots in all key regions, higher sales prices, strong early-buy sales and solid preparation for the season in all markets in the Northern Hemisphere, as well as continuing high growth in Oceania sales.
Public pool cleaners	43,381	3.8%	43,160	4.7%	0.5%	Sales volumes in the periods were similar following a certain recovery of the tourism and hotel sector in the current period. By contrast, the impacts of supply chain challenges, including unavailability of segment-specific electronic components, led to an inability to supply all demand, in addition to the weakening of the major currencies against the Shekel, as described in section 2.3 above.
Safety products and related pool products	82,208	7.2%	75,717	8.3%	8.6%	Sales growth is largely due to increased sales of automatic covers and water treatment products.
Total revenues	**1,135,962**	**100.0%**	**917,621**	**100.0%**	**23.8%**	
2. Segment results:	**NIS thousands**	**% gross profit**	**NIS thousands**	**% gross profit**	**% change**	
Residential pool cleaners	410,137	40.6%	348,789	43.7%	17.6%	The increase in gross profit is due to revenue growth. The decrease in the gross margin is mainly due to: 1. Foreign currency effects – a significant drop of 7.7% in the Euro exchange rate; 2. An increase in raw material prices and in sea and air freight shipping rates, which offset the increase in sales prices and higher sales volumes.
Public pool cleaners	22,312	51.4%	23,148	53.6%	(3.6%)	The decrease in gross profit and the gross margin is due to increased raw material prices and sea and air freight shipping rates, as well as the weakening of the major currencies against the Shekel in the reporting period.
Safety products and related pool products	31,865	38.8%	28,731	37.9%	10.9%	Gross profit growth is largely due to improved margins in the pool safety product segment.
Gross profit	**464,314**	**40.9%**	**400,668**	**43.7%**	**15.9%**	

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

Item	For the three-month period ended June 30, 2022	For the three-month period ended June 30, 2021	% change	Main explanations
Research and development expenses	11,505	10,870	5.8%	Ongoing focused development of robots and water technologies. Development costs in the water monitoring, control and treatment segment amounted to NIS 4.1 million in the reporting period.
Selling and marketing expenses	52,386	41,811	25.3%	The increase is largely due to a significant rise in shipping costs to customers, which accounted for 66% of the total increase in selling and marketing expenses in the period.
General and administrative expenses	34,890	28,154	23.9%	G&A expenses rose by NIS 6.7 million. The increase in the second quarter is due to an increase in consulting fees associated with the Backyard acquisition as described in section 2.2 above, an increase in workforce in management departments, notably IT, and general expenses affected by business growth (e.g., local taxes and depreciation).
Operating profit	129,682	137,556	(5.7%)	The drop in the operating margin is largely the result of lower sales than planned, foreign currency effects, which contributed to a relative drop of NIS 12.3 million, and a considerable increase in shipping costs.
Finance income (expenses), net	757	(1,941)	-	In the reporting period net finance income was recorded due to foreign currency effects in the period, which were offset by higher interest charged on the Group's lines of credit. In the corresponding period, net finance expenses were recorded due to interest on the Group's lines of credit.
Other income	44	10	-	-
Income before taxes	130,483	135,625	(3.8%)	The decrease is largely due to the drop in operating profit.
Taxes on income	20,982	25,426	(17.5%)	The lower tax expenses are due to the decline in taxable income and recognition of Yizre'el Industrial Park as Development Zone A, which also impacted the effective tax rate, now 16.1% compared to 18.7% last year, as well as a change in the profit mix in the Group.
Net profit	109,501	110,199	(0.6%)	-

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

Item	For the six-month period ended June 30, 2022	For the six-month period ended June 30, 2021	% change	Main explanations
Research and development expenses	26,373	20,973	25.7%	The Company has continued to implement its development plan, which centers on the Company's vision to lead the sector, while pursuing the development of new generations of robots and new water technology products. Development costs in the pool water monitoring, control and treatment segment amounted to NIS 8.8 million in the reporting period.
Selling and marketing expenses	98,861	74,795	32.2%	The increase is largely due to a significant rise in shipping costs to customers, which accounted for 68% of the total increase in selling and marketing expenses in the period.
General and administrative expenses	66,535	55,089	20.8%	Most of the increase is attributed to growth in IT following the accelerated growth of the Company's business, an increase in workforce in management departments, an increase in consulting fees associated with the Backyard acquisition as described in section 2.2 above, and general expenses affected by business growth (e.g., local taxes and depreciation).
Operating profit	272,545	249,811	9.1%	Operating profit increased due to sales growth and the increase in gross profit and was offset by the increase in operating expenses.
Finance expenses, net	2,312	4,372	(47.1%)	In the reporting period net finance expenses were recorded due to increased interest on larger lines of credit. In the corresponding period, net finance expenses were recorded due to increased interest on larger lines of credit and on foreign currency effects in the Group.
Other income	33	34	-	-
Income before taxes	270,266	245,473	10.1%	The increase is largely due to growth in operating profit.
Taxes on income	45,574	43,971	3.6%	The increase in tax expenses is the result of the increase in taxable income. The effective tax rate was 16.9% compared to 17.9% in the corresponding period last year, largely due to recognition of Yizre'el Industrial Park as Development Zone A and a change in the profit mix.
Net profit	224,692	201,502	11.5%	Net profit increased due to the increase in operating profit and was offset by the increase in finance expenses and in tax expenses as described above.

5. Equity

On June 30, 2022, the Company's equity, before non-controlling interests, amounted to NIS 728,955 thousand, constituting 37.8% of assets, compared to NIS 600,515 thousand, constituting 44.9% of assets, last year. The increase in equity is largely due to the increase in the Company's profits and was offset by a dividend paid. 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 June 30, 2022, non-controlling interests amounted to NIS 42,981 thousand, compared to NIS 37,220 thousand on June 30 last year. The increase in non-controlling interests is largely due to an increase in the profits of the subsidiaries.

6. Cash flows

Cash flow summary – On June 30, 2022, cash and cash equivalents amounted to NIS 278,422 thousand, compared to NIS 267,895 thousand last year.

In total, in the six-month reporting period cash balances for the period increased by NIS 40,643 thousand, compared to an increase of NIS 41,378 thousand in the corresponding period last year.

The changes were due to the following factors:

Cash flows from operating activities – In the six-month reporting period, the Company consumed operating cash flows amounting to NIS 81.9 million, compared to cash flows of NIS 122.1 million generated by the Company in the corresponding period last year. The decrease in operating cash flows consumed in the reporting period is largely due to growth in the Company's earnings, which was offset by an increase in trade receivables and inventory balances.

In the three-month period, the Company generated operating cash flows of NIS 139 million, compared to NIS 238.1 million in the corresponding period last year. The decrease in operating cash flows in the second quarter of 2022 is due to growth in inventory balances.

Cash flows from investing activities – In the six-month reporting period, cash flows consumed in investing activities amounted to NIS 51.7 million, compared to NIS 42.6 million consumed by the Company in the corresponding period last year. In the reporting period, the Company invested more in acquisitions and in the capitalization of intangible assets.

In the three-month period, cash flows consumed in investing activities amounted to NIS 36.5 million, compared to NIS 26.9 million last year. As mentioned, due to business growth, the Company invested more in acquisitions and in the capitalization of intangible assets.

Cash flows from financing activities – In the six-month period, the Company generated NIS 162.9 million in cash flows from financing activities, compared to NIS 35.7 million consumed in the corresponding period last year. In the reporting period, the Company took short- and long-term credit and paid a higher dividend to shareholders.

In the three-month period, the Company generated NIS 17.7 million in cash flows from financing activities compared to cash flows of NIS 81.8 million consumed last year, due to taking higher short-term credit in the period.

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 2021 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).

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, 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**

Statement of financial position according to linkage bases on June 30, 2021

	USD-linked	EUR-linked	AUD-linked	CPI-linked	Unlinked and other	Non-financial instru-ment	Total
	NIS thousands						
Assets							
Cash and cash equivalents	86,540	121,645	57,099	-	2,611	-	267,895
Short-term investments	151	-	-	8,010	10,495	-	18,656
Trade receivables, net	151,385	137,214	15,604	-	12,900	-	317,103
Other accounts receivable	1,431	2,760	1,589	-	43,891	-	49,671
Inventory	-	-	-	-	-	275,459	275,459
Long-term deposits and debit balances	-	686	878	-	69	-	1,633
Fixed assets, net	-	-	-	-	-	126,406	126,406
Right-of-use assets, net	-	-	-	-	-	105,049	105,049
Intangible assets, net	-	-	-	-	-	153,550	153,550
Deferred taxes	-	-	-	-	-	21,742	21,742
Total assets	**239,507**	**262,305**	**75,170**	**8,010**	**69,966**	**682,206**	**1,337,164**
Liabilities							
Short-term credit	18,406	3,294	-	-	142,460	-	164,160
Trade payables	41,118	19,578	861	-	104,079	-	165,636
Other accounts payable	46,338	30,078	6,455	-	80,874	-	163,745
Lease liabilities	-	-	-	-	-	108,584	108,584
Deferred liability of acquired subsidiary	-	34,014	-	-	-	-	34,014
Deferred taxes	-	-	-	-	-	3,248	3,248
Liabilities in respect of employee benefits, net	-	-	-	-	-	4,695	4,695
Other liabilities	-	3,864	477	-	51,006	-	55,347
Total liabilities	**105,862**	**90,828**	**7,793**	**-**	**378,419**	**116,527**	**699,429**
Net balance	**133,645**	**171,477**	**67,377**	**8,010**	**(308,453)**	**565,679**	**637,735**

		August 16, 2022
Yonatan Bassi	Sharon Goldenberg	Date of approval of the
Chairman of the Board	Chief Executive Officer	Board of Directors' Report

Maytronics Ltd.

Interim Consolidated Financial Statements
(Unaudited)
As of June 30, 2022

Maytronics Ltd.

Interim Consolidated Financial Statements as of June 30, 2022

Unaudited

Table of Contents

\- - - - - - - - - - - - - - -

Kost Forer Gabbay and Kasierer
2 Palyam Ave., Brosh Building,
Haifa 3309502

Tel: 972-4-8654000
Fax: +972-3-5633428
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 June 30, 2022, 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 21% of total consolidated assets as of June 30, 2022, and whose revenue as included in the consolidation constitutes approximately 50% and 51%, 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 16, 2022

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

Consolidated Statements of Financial Position

	June 30		December 31
	2022	2021	2021
	Unaudited		Audited
	NIS thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	278,422	267,895	237,779
Short-term investments	17,980	18,656	19,620
Trade receivables, net	483,421	317,103	115,917
Other accounts receivable	53,233	49,671	79,502
Inventory	598,903	275,459	529,705
	1,431,959	928,784	982,523
NON-CURRENT ASSETS:			
Long-term receivables	1,777	1,633	1,708
Fixed assets, net	167,217	126,406	151,308
Right-of-use assets, net	109,793	105,049	108,808
Intangible assets, net	193,610	153,550	164,475
Deferred taxes, net	24,673	21,742	27,274
	497,070	408,380	453,573
	1,929,029	1,337,164	1,436,096

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

Consolidated Statements of Financial Position

	June 30		December 31
	2022	2021	2021
	Unaudited		Audited
	NIS thousands		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks	476,684	164,160	282,766
Current maturities of lease liabilities	22,756	17,866	20,394
Current maturities of deferred liability of acquired subsidiary	16,167	17,214	15,462
Trade payables	250,166	165,636	222,574
Income tax payable	17,510	27,572	5,899
Other accounts payable	136,925	119,462	119,544
Provisions	19,329	16,711	15,431
	939,537	528,621	682,070
NON-CURRENT LIABILITIES:			
Loans from banks	111,251	48,962	62,671
Lease liabilities	91,509	90,718	92,373
Deferred liability of acquired subsidiary	-	16,800	-
Employee benefit liabilities, net	4,618	4,695	4,448
Other long-term liabilities	7,885	6,385	6,983
Deferred taxes	2,293	3,248	1,875
	217,556	170,808	168,350
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Share capital	11,216	11,206	11,210
Share premium	113,817	112,807	113,071
Treasury shares	(500)	(500)	(500)
Retained earnings	620,052	504,536	461,893
Capital reserve from share-based payment transactions	17,298	6,135	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	(26,690)	(27,104)	(44,081)
	728,955	600,515	547,058
Non-controlling interests	42,981	37,220	38,618
Total equity	771,936	637,735	585,676
	1,929,029	1,337,164	1,436,096

August 16, 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.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2022	2021	2022	2021	2021
	Unaudited		Unaudited		Audited
	NIS thousands				
Revenue from sales	1,135,962	917,621	566,318	498,542	1,409,395
Cost of sales	671,648	516,953	337,855	280,151	816,132
Gross profit	464,314	400,668	228,463	218,391	593,263
Research and development expenses	26,373	20,973	11,505	10,870	46,582
Selling and marketing expenses	98,861	74,795	52,386	41,811	155,408
General and administrative expenses	66,535	55,089	34,890	28,154	113,553
Operating profit	272,545	249,811	129,682	137,556	277,720
Other income (expenses), net	33	34	44	10	(114)
Finance income	16,226	4,489	15,890	6,930	34,384
Finance expenses	(18,538)	(8,861)	(15,133)	(8,871)	(30,156)
Income before taxes	270,266	245,473	130,483	135,625	281,834
Taxes on income	45,574	43,971	20,982	25,426	41,580
Net profit	224,692	201,502	109,501	110,199	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	19,321	(662)	17,307	(5,719)	(21,276)
Amounts that will not subsequently be reclassified to profit or loss:					
Remeasurement gain on defined benefit plans	-	-	-	-	327
Total other comprehensive income (loss)	19,321	(662)	17,307	(5,719)	(20,949)
Total comprehensive income	244,013	200,840	126,808	104,480	219,305
Net profit attributable to:					
Equity holders of the Company	218,159	191,645	106,354	105,043	224,012
Non-controlling interests	6,533	9,857	3,147	5,156	16,242
	224,692	201,502	109,501	110,199	240,254
Total comprehensive income attributable to:					
Equity holders of the Company	235,550	191,510	122,589	99,971	207,227
Non-controlling interests	8,463	9,330	4,219	4,509	12,078
	244,013	200,840	126,808	104,480	219,305
Net basic earnings per share attributable to equity holders of the Company (in NIS):	2.00	1.76	0.97	0.96	2.05
Net diluted earnings per share attributable to equity holders of the Company (in NIS):	1.99	1.75	0.97	0.96	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 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 other comprehensive income	-	-	-	-	-	-	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 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												
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 other comprehensive income	-	-	-	-	-	-	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 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 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, 2021 (audited)	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	-	-	-	191,645	-	-	-	-	-	-	191,645	9,857	201,502
Other comprehensive loss - adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	-	(135)	-	-	-	(135)	(527)	(662)
Total other comprehensive loss	-	-	-	-	-	-	(135)	-	-	-	(135)	(527)	(662)
Total comprehensive income (loss)	-	-	-	191,645	-	-	(135)	-	-	-	191,510	9,330	200,840
Exercise of share options	90	4,800	-	-	(4,800)	-	-	-	-	-	90	-	90
Dividend paid	-	-	-	(45,072)	-	-	-	-	-	-	(45,072)	-	(45,072)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(3,799)	(3,799)
Cost of share-based payment	-	-	-	-	2,495	-	-	-	-	-	2,495	-	2,495
Balance as of June 30, 2021	11,206	112,807	(500)	504,536	6,135	164	(27,104)	(1,981)	2,147	(6,895)	600,515	37,220	637,735

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 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, 2021	11,187	111,729	(500)	399,565	5,795	164	(22,032)	(1,981)	2,147	(6,895)	499,179	32,711	531,890
Net income	-	-	-	105,043	-	-	-	-	-	-	105,043	5,156	110,199
Other comprehensive loss - adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	-	(5,072)	-	-	-	(5,072)	(647)	(5,719)
Total other comprehensive loss	-	-	-	-	-	-	(5,072)	-	-	-	(5,072)	(647)	(5,719)
Total comprehensive income (loss)	-	-	-	105,043	-	-	(5,072)	-	-	-	99,971	4,509	104,480
Exercise of share options	19	1,078	-	-	(1,078)	-	-	-	-	-	19	-	19
Dividend paid	-	-	-	(72)	-	-	-	-	-	-	(72)	-	(72)
Cost of share-based payment	-	-	-	-	1,418	-	-	-	-	-	1,418	-	1,418
Balance as of June 30, 2021	11,206	112,807	(500)	504,536	6,135	164	(27,104)	(1,981)	2,147	(6,895)	600,515	37,220	637,735

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 remeasure-ment 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, 2021	11,116	108,007	(500)	357,963	8,440	164	(26,969)	(1,981)	2,147	(6,895)	451,492	31,689	483,181
Net income	-	-	-	224,012	-	-	-	-	-	-	224,012	16,242	240,254
Other comprehensive income (loss) - adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	-	(17,112)	-	-	-	(17,112)	(4,164)	(21,276)
Remeasurement gain on defined benefit plans	-	-	-	-	-	-	-	327	-	-	327	-	327
Total other comprehensive income (loss)	-	-	-	-	-	-	(17,112)	327	-	-	(16,785)	(4,164)	(20,949)
Total comprehensive income (loss)	-	-	-	224,012	-	-	(17,112)	327	-	-	207,227	12,078	219,305
Exercise of share options	94	5,064	-	-	(5,064)	-	-	-	-	-	94	-	94
Dividend paid	-	-	-	(120,082)	-	-	-	-	-	-	(120,082)	-	(120,082)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(5,149)	(5,149)
Cost of share-based payment	-	-	-	-	8,327	-	-	-	-	-	8,327	-	8,327
Balance as of December 31, 2021	11,210	113,071	(500)	461,893	11,703	164	(44,081)	(1,654)	2,147	(6,895)	547,058	38,618	585,676

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

Consolidated Statements of Cash Flows

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2022	2021	2022	2021	2021
	Unaudited		Unaudited		Audited
			NIS thousands		
Cash flows from operating activities:					
Net income	224,692	201,502	109,501	110,199	240,254
Adjustments to reconcile net income to net cash provided by operating activities:					
Adjustments to profit or loss items:					
Taxes on income	28,120	19,577	19,358	12,765	47,043
Deferred taxes, net	3,780	3,811	1,761	5,488	(3,329)
Finance expenses, net	5,734	3,654	3,553	2,054	7,049
Depreciation and amortization	29,871	27,011	15,245	13,724	56,211
Cost of share-based payment	6,341	2,495	3,546	1,418	8,327
Revaluation of options to Kibbutz members	(1,028)	(1,262)	(596)	(2,965)	(582)
Increase in employee benefit liabilities, net	170	140	85	69	246
Interest accrued on long-term deposit and exchange differences on investments	(198)	(601)	(242)	(318)	(947)
Capital gain on sale of fixed assets, net	(4)	(89)	(21)	(84)	(139)
Revaluation of securities measured at fair value through profit or loss, net	1,313	(515)	726	(321)	(1,006)
Changes in fair value of derivatives, net	25,058	(7,012)	22,043	(7,396)	(23,133)
Exchange differences on cash and cash equivalents	(4,752)	2,411	(3,213)	1,506	8,656
	94,405	49,620	62,245	25,940	98,396
Changes in asset and liability items:					
Decrease (increase) in trade receivables, net	(346,506)	(236,701)	38,370	37,308	(41,111)
Decrease (increase) in other accounts receivable (including long-term)	2,670	(6,078)	964	(2,338)	(20,459)
Decrease (increase) in inventories	(58,689)	51,595	(48,783)	32,458	(216,265)
Increase in trade payables	4,214	32,542	15,386	30,902	90,691
Increase (decrease) in other accounts payable, provisions and taxes payable	27,497	52,465	(18,784)	18,260	33,801
Increase in other liabilities	3,682	353	3,000	199	630
	(367,132)	(105,824)	(9,847)	116,789	(152,713)
Cash paid and received during the period for:					
Interest and dividends received	190	178	96	74	468
Interest paid	(5,924)	(3,832)	(3,649)	(2,128)	(7,517)
Taxes paid	(28,120)	(19,577)	(19,358)	(12,765)	(47,043)
	(33,854)	(23,231)	(22,911)	(14,819)	(54,092)
Net cash provided by (used in) operating activities	(81,889)	122,067	138,998	238,109	131,845

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
	2022	2021	2022	2021	2021
	Unaudited		Unaudited		Audited
	NIS thousands				
Cash flows from investing activities:					
Purchase and capitalization of intangible assets	(31,805)	(17,040)	(20,897)	(10,741)	(39,613)
Purchase of fixed assets	(20,265)	(25,817)	(15,682)	(16,382)	(52,941)
Proceeds from sale of fixed assets	83	136	53	118	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	327	162	55	134	(311)
Net cash used in investing activities	(51,660)	(42,559)	(36,471)	(26,871)	(108,561)
Cash flows from financing activities:					
Proceeds from exercise of options	6	90	6	19	94
Receipt of short-term credit, net	177,180	34,058	93,721	(26,908)	147,709
Receipt of long-term loan	80,000	-	-	-	32,030
Repayment of long-term loans	(19,166)	(12,259)	(10,274)	(5,445)	(24,208)
Dividend paid to equity holders of the Company	(60,000)	(45,072)	(60,000)	(45,072)	(120,082)
Dividend paid to non-controlling interests	(4,100)	(3,799)	-	-	(5,149)
Repayment of lease liabilities	(11,034)	(8,757)	(5,701)	(4,364)	(19,192)
Net cash provided by (used in) financing activities	162,886	(35,739)	17,752	(81,770)	11,202
Exchange differences on cash and cash equivalent balances	4,752	(2,411)	3,213	(1,506)	(8,656)
Translation differences on cash balances of foreign operations	6,554	20	5,692	(2,179)	(14,568)
Increase in cash and cash equivalents	40,643	41,378	129,174	125,783	11,262
Cash and cash equivalents at beginning of period	237,779	226,517	149,248	142,112	226,517
Cash and cash equivalents at end of period	278,422	267,895	278,422	267,895	237,779
(A) Significant non-cash transactions:					
Purchase of fixed assets and intangible assets on credit	7,220	2,464	7,220	2,464	12,161
Recognition of right-of-use asset against lease liability	11,277	18,921	7,825	5,311	35,299

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, 2022, 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, 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.

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.

In accordance with the exception, the acquirer 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.

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

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 1, 2022.

The above amendment had no effect on the Company's Interim Consolidated 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 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 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 to decide on 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.

Note 5 - Operating Segments (cont'd)

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, 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

	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

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 six-month period ended June 30, 2021				
Total revenues from externals	798,744	43,160	75,717	917,621
Total segment profit	348,789	23,148	28,731	400,668
Unallocated shared expenses				(150,857)
Other income, net				34
Finance expenses, net				(4,372)
Income before taxes				245,473

	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, 2021				
Total revenues from externals	428,916	19,681	49,945	498,542
Total segment profit	187,882	10,734	19,775	218,391
Unallocated shared expenses				(80,835)
Other income, net				10
Finance expenses, net				(1,941)
Income before taxes				135,625

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

C. Geographical information

Sales by 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
	2022	2021	2022	2021	2021
	Unaudited		Unaudited		Audited
	NIS thousands				
Europe	499,569	418,130	259,991	241,835	618,935
North America	532,829	418,925	262,754	223,227	574,105
Oceania	60,823	51,755	23,915	17,666	157,554
Rest of World	42,741	28,811	19,658	15,814	58,801
	1,135,962	917,621	566,318	498,542	1,409,395

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
	2022	2021	2021
	Unaudited		Audited
	NIS thousands		
Long-term bank credit at fixed interest			
Carrying amount	103,284	-	29,546
Fair value	88,990	-	*

* Fair value is proximate to the carrying amount.

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 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 mechanism. 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 based on 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.

Note 7 - Events During and After the Reporting Period (cont'd)

The estimated fair value of the options that were granted on the date of the Board of Directors' approval was set at approximately NIS 4 million. 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 are: 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, and the record date was 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 based on 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 that were granted on the date of the Board of Directors' approval was set at approximately NIS 10.3 million. 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 are: share price – NIS 53; volatility – 35.4%; expected life of the options – 4 years; risk-free interest rate – 1.84%; forfeiture rate – 9%.

E. In the reporting period, employees, service providers and senior officers of the Company exercised 103,183 options for the purchase of ordinary shares of the Company, via a cashless exercise mechanism. The employees, service providers and senior officers were issued 57,048 ordinary shares of the Company following the exercise of the options.

F. On July 7, 2022, after the reporting date, the Company's subsidiary in the US, MTUS, entered into an agreement with Eccxi Holdco, Inc. (hereinafter: the "Seller") and with Michael Hoffman and Christopher Hoffman, controlling shareholders of the Seller, for the acquisition of 70% of the share capital of Eccxi, LLC and the rights therein (hereinafter: "Eccxi"). Eccxi is an American corporation which mainly holds Backyard & Pool Superstore LLC, a private company that specializes in retail eCommerce in the swimming pool business, as well as three other corporations (hereinafter: the "Group"). The transaction was closed on July 28, 2022. The consideration was set at approximately USD 16 million, half of which was paid on the closing date, and the remainder will be paid one year after the closing date.

Note 7 - Events During and After the Reporting Period (cont'd)

In addition to the consideration, MTUS has undertaken to pay a contingent consideration of USD 4.5 million if the Group's results in 2022-2023 exceed the agreed scope. The contingent consideration will be paid (if the conditions for payment thereof are satisfied) two years after the closing date.

G. Further to Note 20.A to the Consolidated Annual Financial Statements concerning the temporary order pertaining to the release of trapped earnings, after the reporting period, on August 3, 2022, the Company submitted a request to the Income Tax Authority to release all of its trapped earnings at an amount of NIS 198.2 million and paid the applicable tax of NIS 19.8 million. Consequently, the Company is required to make a designated investment of NIS 14.8 million in its industrial plant over the next five years. Additionally, after the reporting date the Company was informed that the Investment and Development Authority for Industry and Economy in the Ministry of Economy and Industry had decided that recognition of Yizre'el Industrial Park as Development Zone A (as described in the abovementioned Note 20.A) would apply retroactively from 2019.

H. On August 16, 2022, the Board of Directors of the Company passed a resolution to distribute a cash interim dividend of NIS 0.5946 per share, amounting to a total of NIS 65 million gross. The dividend will be paid on September 29, 2022, after the reporting date. The record date was set at August 31, 2022.