Unofficial Translation from Hebrew

Maytronics Ltd.

Board of Directors' Report on the State of the Company's Affairs For the Period Ended September 30, 2022

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

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

Maytronics Ltd. and its subsidiaries (the "**Company**") specialize in the development, manufacture 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. Additionally, since July 28, 2022, the Company has been engaged in eCommerce through the new subsidiary, ECCXI, 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 (mostly distributors) buy most of the products for their inventory from December/January to July. In general, the distributors themselves sell most of the products from March until the season closes at summer's end. However, robotic cleaners for private pools are manufactured continuously at full capacity year-round, and the second half of the year is characterized by production of inventory for the upcoming season.

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 third quarter grew by 32.4% compared to the corresponding period last year, and excluding the first-time consolidation of ECCXI, which was consolidated for a two-month

period beginning on July 28, 2022, by 15%. For further information on the acquisition and the effects of first-time consolidation, see sections 2.2 and 4 below.

Sales in the residential pool market in the third quarter grew by 24.3%. The increase in effective selling prices in the quarter compared to the corresponding period accounts for 8.5% of revenue growth. In the nine-month period, the Company's sales increased by 26% and by 29% in local currency compared to the corresponding period last year.

The third quarter was marked by continuing demand for residential and public pool robotic cleaners, mainly in North America and Oceania, where the Company delivered strong growth in local currency in the quarter, with revenue rising 102% (56% excluding the first-time consolidation of ECCXI) and 29%, respectively. In Europe, the Company experienced a drop in orders in the third quarter and a drop of 20% in revenue in local currency in light of inventory adjustment in the distribution chain, similar to the trend observed in the overall pool industry and market. It is noted that the decline in revenue in Europe is also due to waning demand for pool covers following moderation of the pace of new pool construction.
In the public pool segment, the Company experienced an increase in demand and in its ability to meet it, which in the third quarter were translated into pleasing sales growth of 93%.

In summing up the nine-month period, the Company's sales in local currency rose 18% in Europe; 43% in North America (33% excluding the first-time consolidation of ECCXI); and 28% 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 returning 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 reported in May 2022, excluding the effects of ECCXI's consolidation.

The Company's estimation 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 estimation 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 ECCXI acquisition:** 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: "**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 will pay approximately USD 16.16 million plus working capital adjustments in accordance with the sale agreement as of the acquisition date (hereinafter: the "**Consideration**") in two installments, as follows: approximately USD 11.6 million were paid on July 28, 2022 (the closing date), and approximately USD 6.7 million will be paid one year after the closing. The second payment is guaranteed by the Company. MTUS has also undertaken to pay a contingent consideration of USD 3.7 million (based on its fair value on the acquisition date) if the Group's results in 2022-2023 (average EBITDA for those years) are higher than the agreed amount[1]. The ECCXI transaction was completed on July 28, 2022, and the Company has consolidated it in its financial statements commencing on said date.

The acquisition of ECCXI 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 that are not serviced by 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 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 ECCXI Group is a step toward realizing the Company's 2025 strategy such 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

[1] For further conditions relating to the contingent payment, see the Immediate Report of July 8, 2022, mentioned below.
[2] Regarding the potential of pools 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.

translate it into sales encounters unforeseen difficulties due to rival activities, changing customer preferences, 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 section 3.22 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.

Below is principal information from the first-time consolidation in the third quarter of the Acquiree, ECCXI, as recorded in the Consolidated Financial Statements of the Company:

ECCXI's condensed pro forma income statement as included in the Consolidated Financial Statements	**August 1, 2022 – September 30, 2022 (NIS thousands)**
Sales	**54,513**
Cost of sales	35,882
Gross profit	**18,631**
Selling and marketing expenses	17,935
General and administrative expenses	1,887
Amortization of intangible assets created on acquisition	1,230
Operating loss	**2,421**
Taxes on income	456
Net loss	**1,965**

Below is principal information contained in the income statement (unaudited) of ECCXI (separate financial information) from its financial statements for the nine-month period and the months of August and September 2022:

	Nine months 2022 (USD thousands)	**August 1, 2022 – September 30, 2022 (USD thousands)**
	Unaudited	
Revenue	131,318	20,607
Gross profit	38,092	6,032
Operating profit	7,204	201
Finance income (expenses)	83	(1)
Income before taxes	7,287	200

As mentioned, ECCXI was acquired at the end of July, and its operating results are reflected in the Consolidated Financial Statements of the Company for a brief period of only two months.

The consolidation of ECCXI's operating results affected the Company's results in the period due to several factors:

1. The results are for August-September, months that are characterized by a relatively low business volume, whereas fixed costs remain constant. ECCXI's operating results in the nine months reflect pleasing sales growth of 28% compared to 2021 (12 months) while maintaining the operating margin.
2. Relatively higher expenses in respect of Amazon commissions, among other things due to Amazon's sales mechanism, which included payment for shipping and complete handling of the sale. These expenses were recorded under selling and marketing expenses. In the Company's opinion, the results of these transactions, which are reflected in the above consolidation, are not indicative of the company's normal business in the nine-month period.
3. Intangible assets arising from the acquisition, which are amortized over 5-9 years, and create amortizations on an annual scale of NIS 7.5 million.
4. One-time acquisition costs of NIS 2,784 thousand attributed to the transaction, which were recognized as an expense and recorded under G&A expenses.

Note: Various financial data in this quarterly report include ECCXI's contribution to the results and financial position of the Group overall in Q3 2022, and consequently, any comparison to the figures for last year should take this into consideration.

The Company's estimation regarding the operating results and the structure of ECCXI's income statement 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 the Company and ECCXI operate, their intentions and future plans, which may change from time to time, and its materialization is uncertain and is beyond the Company's control. The estimation may not materialize or may materialize in part also due to the materialization of any of the Company's other risk factors, as set forth in section 3.22 in the Description of the Corporation's Business for 2021.

2.3 On September 30, 2022, the Company's **order backlog** until the end of 2022 amounted to NIS 138.1 million compared to an order backlog of NIS 166.7 million on September 30, 2021, and a backlog of NIS 34.2 million on September 30, 2020. The backlog reflects a decrease of 17.1% compared to last year and an increase of 303% compared to the corresponding period two years ago. Last year, the backlog reflected a stronger desire by the distribution chain to build up inventory of the Company's products, particularly private pool robotic cleaners, due to supply chain constraints in 2021, which led to shortages and denied the Company the ability to manufacture robots in quantities that would deliver a full response to the entire demand for its products, as well as in the light of expectations for continuing elevated demand by end users following the boom in the private pool segment, due, among other things, to COVID-19. The current order backlog reflects a more balanced picture of the return of the pool market to demand growth patterns at the typical pre-COVID pace. This also applies to inventory management processes in the distribution chain, as well as the distribution chain's expectation to leverage the Company's increased production capacity, thus reducing the need to secure inventory by making excessively early purchases.

2.4 **Foreign currency effects** in the reporting period compared to the corresponding period last year: Changes in the exchange rates of major currencies in the third quarter (three months): The Euro, which accounted for 24% of the Company's sales, weakened on average by a substantial 8.4% against the Shekel; the US Dollar, which accounted for 61% of the Company's sales, strengthened on average

by 4.1% against the Shekel; and the Australian Dollar, which accounted for 14% of the Company's sales, weakened by 2.5% against the Shekel.
The effect of changes in exchange rates on sales, gross profit and operating profit compared to the corresponding quarter last year amounted to a decline of NIS 0.7 million in sales in the quarter, a decline of NIS 5.2 million in gross profit and of NIS 5 million in operating profit (again, largely due to the weaker Euro).

Changes in the exchange rates of major currencies in the nine-month period: The Euro, which accounted for 38% of the Company's sales, weakened on average by 7.8% against the Shekel; the US Dollar, which accounted for 52% of the Company's sales, strengthened on average by 2.4% against the Shekel; and the Australian Dollar, which accounted for 8% of the Company's sales, weakened on average by 4.3% against the Shekel.
The effect of changes in exchange rates on sales, gross profit and operating profit compared to the corresponding nine-month period last year amounted to a decline of NIS 35.7 million in sales (largely due to the substantial weakening of the Euro), and a decline of NIS 34.7 million in gross profit and of NIS 31.6 million in operating profit, again largely due to the weaker Euro.

2.5 **Dividend distribution:** On August 16, 2022, the Board of Directors of the Company declared an interim cash dividend for 2022 at a total of NIS 65 million and NIS 0.594 per share, which was paid on September 29, 2022.

2.6 **Allotment of options to employees and managers:** On November 28, 2022, after the reporting date, further to the approval of the Company's Remuneration Committee on November 24, 2022, the Board of Directors passed a resolution for the allotment of 85,000 options, exercisable into ordinary shares of the Company of NIS 0.1 par value each, to a senior Company executive in a cashless exercise transaction. Said allotment is in accordance with the Company's option plan, adopted by the Board of Directors following 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. 2021-01-060169), the contents whereof are incorporated by reference.

2.7 **Termination and commencement of senior executives:** After the reporting date, on October 18, 2022, Mr. Amit Caspi ceased to serve as Chief Solutions and Technology Officer, and on October 19, 2022, his successor, Mr. Stav Gizunterman, assumed the position.

2.8 **General meeting:**

a. After the reporting date, on October 3, 2022, a Special General Meeting of the Company approved the reappointment of the external directors serving in office in the Company for an additional three-year term. For further information on the convening of the meeting and the resolutions passed therein, see the Immediate Reports of August 17, 2022 and October 6, 2022 (reference no. 2022-01-104410 and 2022-01-1241065, respectively), the contents whereof are incorporated by reference.
b. After the reporting date, on November 28, 2022, the Board of Directors of the Company resolved to convene a Special General Meeting, on the agenda of which are the following items: CEO

salary update, from a fixed monthly salary of NIS 85 thousand to NIS 100 thousand; renewal and revision of the Remuneration Policy as approved by the Remuneration Committee at its meeting on November 24, 2022, and by the Board of Directors at its meeting on November 28, 2022. For further information on the convening of the meeting and the items on the agenda, see the Immediate Report that will be published proximate to the publication of the financial statements.

2.9 **Effects of COVID-19:** Further to the description presented in the Board of Directors' Report of December 31, 2021 regarding the effects 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 third quarter and as of the reporting date, there has been a certain improvement from this aspect, and the Company has been able to better address difficulties in the supply of raw materials (of certain kinds), 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 have continued to burden on the Company's results in the third quarter. Further, despite the improvement, there remains some difficulty in the sourcing of various electronic components.

b. **The residential pool segment:** 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 revenues grew by 93% in the third quarter compared to the corresponding period. It is also noted that in this segment, the Company continues to experience difficulty in the availability of segment-specific electronic components, which is likely to lead to the inability to meet the demand for these products.

The Company's estimations regarding the spread of coronavirus and the consequences of supply chain difficulties on its financial position and operating results, as well as continuing 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 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, and its materialization is uncertain and is beyond the Company's control. These estimations may not materialize or may materialize in part should the spread of the pandemic 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 shortage 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 nine months of 2022, the CPI in Israel increased by 4.3% (in total, in the past 12 months – September 2021 to September 2022 – the CPI rose by 5.1%), attesting to an increase in the cost of living and inflation in the domestic 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 a global trend; according to the IMF's recently published World Economic Outlook Update, inflation in 2022 is expected to reach 7% 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 3.25% 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 and to reach 3.5% by the third quarter of 2023. Following are possible implications of these events:

Inflation: For the impact of price increases on inputs and raw material prices, see section 2.9.a above and section 4 below. Furthermore, in the event of a substantial rise in raw material prices, the Company will assess the possibility of updating the sales prices of its products to maintain adequate margins, considering the limitations of market prices, so that its prices will enable the Company to remain competitive, which the Company in fact did in the third quarter (as stated in section 2.1 above).
Additionally, regarding CPI-linked credit and agreements, given the Company's current position, the Company does not expect inflation rates to have a material effect on its finance costs.

Interest: From time to time, the Company takes bank credit, part of which bears 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 continuously monitors developments in Israel and worldwide, while assessing the possibilities open to it to address the implications of the abovementioned developments.

The Company's estimations regarding the implications of rising prices and the increase in the prime rate on its business are **forward-looking information**, as defined in the Securities Law, 1968, 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 estimations 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 estimations 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.

2.11 **Introduction of a new product line:** At the Piscine Global swimming pool and wellness trade fair, Eurexpo Lyon, held after the reporting date in November 2022 in Lyon, France, the Company presented an innovative product line, Dolphin Liberty, a new generation of cordless battery-powered robotic pool cleaners. The Dolphin Liberty delivers all the advantages of the Company's Dolphin robots as well as innovative technology that provides an enhanced user experience, greater efficiency, and ease of use of the cleaner. The Company plans to launch the new product line in the course of 2023. Other new technologies were also on show at the exhibition, including the Dolphin Wave 90i – a new public pool robot with IoT connectivity, accompanied by other new Company developments.
See also the Immediate Report of the Company of November 14, 2022 (reference no. 2022-01-136372), the contents whereof are incorporated by reference.

The Company's estimations regarding materialization of the Dolphin Liberty's unique features and regarding its launch during 2023 are **forward-looking information**, as defined in the Securities Law, 1968, which is based, inter alia, on the Company's plans, on its experience in developing products of this kind, on its estimations regarding expected demand in their target markets, on the costs of their development and ongoing production, and the extent of their suitability to serial production. These estimations may not materialize or may materialize in part should difficulties be encountered in the further development of the products, should the products not be sufficiently mature for production and/or marketing, due to less interest in these products than expected, due to the emergence of rival products of the same or similar kind, 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.

3. Financial position

3.1 On September 30, 2022, the Company's current assets amounted to NIS 1,402,172 thousand, constituting 68.7% of total assets, compared to current assets amounting to NIS 941,245 thousand and constituting 68.9% of total assets on September 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 185.6 million, compared to NIS 342.6 million at the end of the corresponding period last year, a decrease of NIS 157 million. The decrease is due to working capital requirements and to the ECCXI acquisition.

b. An increase of NIS 485.1 million in **inventory balance** compared to September 30, 2021, largely due to:

(1) The first-time consolidation of ECCXI, whose inventory on the reporting date amounted to NIS 82 million.
(2) Due to supply chain challenges, last year the Company decided to make earlier and larger-scale 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. In view of the expected trend of improvement in the supply chain and in the availability of some raw materials, and the return of demand in the pool

industry to typical pre-COVID patterns as described in sections 2.1 and 2.9 above, the Company is taking, and will continue to take steps in coming quarters to reduce raw material inventories.

(3) Ongoing growth in sales volumes necessitates an increase in production in the second half of the year of products intended for sale in the following season in the Northern Hemisphere. This trend is reflected in higher finished goods inventory due to the shipping of goods to the subsidiaries and finished goods inventory that was en route to the Company's customers on September 30.

These factors are also reflected in average days in inventory, which rose to 185 in the period, compared to 123 days in the corresponding period last year.

c. An increase of NIS 122.7 million in the balance of trade receivables, largely the result of sales growth, the mix of dates on which they were created and the first-time consolidation of ECCXI (whose balance of trade receivables on the reporting date was NIS 19.4 million). Average customer days rose to 71 compared to 61 days in the corresponding period.

d. On September 30, 2022, the balance of other receivables amounted to NIS 67.2 million compared to NIS 60.4 million on September 30, 2021, an increase of NIS 6.8 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.

3.2 Long-term investments – On September 30, 2022, long-term deposits and debit balances amounted to NIS 1.7 million, similar to September 30, 2021, with no significant change between the periods.

3.3 Fixed assets – On September 30, 2022, the net balance of fixed assets amounted to NIS 182.6 million, compared to NIS 135 million on September 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 investments 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 September 30, 2022, the balance of right-of-use assets amounted to NIS 136 million, compared to NIS 110.7 million on September 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 September 30, 2022, the net balance of intangible assets amounted to NIS 287.8 million, compared to NIS 156.6 million on September 30, 2021. The increase in intangible assets is largely due to PPA of NIS 85 million in respect of the ECCXI acquisition, recorded for the first time in the reporting period and including, inter alia, supplier relations, brand and goodwill, as well as an increase in the capitalization of development costs. In the nine-month period the Company recorded investments of NIS 11.3 million in the pool water monitoring and control segment (compared to NIS 11.7 million last year), as well as investments of NIS 22.6 million in the robot segment.

3.6 Deferred tax assets – On September 30, 2022, the balance of deferred tax assets was NIS 29.5 million, compared to NIS 20.1 million on September 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 September 30, 2022, the Company's current liabilities amounted to NIS 868.7 million, constituting 42.6% of total liabilities, compared to NIS 570.1 million, constituting 41.8% of total liabilities, on September 30, 2021. Significant changes in current liabilities items include the following:

a. An increase of NIS 127.1 million in short-term credit for the Group's working capital requirements (increased inventory and higher trade receivables) and fair value hedges. There is also an increase of NIS 23.7 million in current maturities of a deferred liability in respect of the acquisition of ECCXI.

b. An increase of NIS 128 million in trade payables due to business growth and higher inventories in the reporting period as well as the first-time consolidation of ECCXI's trade payables, which amounted to NIS 47 million on the reporting date. Average supplier days rose to 73 compared to 61 days in the corresponding period last year.

c. An increase of NIS 28 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 September 30, 2022, the Company's long-term liabilities amounted to NIS 410.1 million, compared to NIS 196.1 million on September 30, 2021. Most of the increase is attributed to an increase in long-term bank loans taken by companies in the Group and to an increase in a long-term contingent liability in respect of the ECCXI acquisition.

3.9 **Liquidity ratios**

	September 30, 2022	**September 30, 2021**
Working capital (NIS thousands)	533,486	371,092
Current ratio	1.61	1.65
Quick ratio	0.66	1.04

The Company's working capital increased by 44% compared to September 30, 2021, mostly due to growth in the Company's profits, the first-time consolidation of ECCXI and a change in the loan mix. 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 income statements for the nine months and third quarter of 2022 and 2021:

Item	**January-September 2022**	**January-September 2021**	**July-September 2022**	**July-September 2021**	**July-September 2022, pro forma, excluding ECCXI**
Sales revenue	1,547,882	1,228,622	411,920	311,001	357,406
Gross profit **% gross profit**	627,169 40.5%	528,092 43.0%	162,855 39.5%	127,424 41.0%	144,223 40.4%
Operating profit **% operating profit**	316,630 20.5%	301,059 24.5%	44,085 10.7%	51,248 16.5%	46,506 13.0%
Net profit **% net profit**	263,821 17.0%	244,380 19.9%	39,129 9.5%	42,878 13.8%	41,095 11.5%

Following is an analysis of revenue and gross profit, reported by segment						
	For the three-month period ended September 30		**For the three-month period ended September 30**			
	2022		**2021**			
1. Segment revenues:	**NIS thousands**	**% of total revenues**	**NIS thousands**	**% of total revenues**	**% change**	**Explanations**
Residential pool cleaners	316,557	76.8%	254,612	81.9%	24.3%	Growth is due to continuing demand for robots, mainly in North America and Oceania, the first-time consolidation of ECCXI and higher sales prices in the various regions.
Public pool cleaners	31,879	7.7%	16,534	5.3%	92.8%	Growth in the third quarter is largely attributed to continuing demand in the segment and an upturn in the Company's ability in the quarter to supply the demand for these products, despite the challenges described in section 2.9 above.
Safety products and related pool products	63,484	15.5%	39,855	12.8%	59.3%	This segment grew in the third quarter, mainly due to the first-time consolidation of ECCXI, as well as increased sales of water treatment products.
Total revenues	**411,920**	**100.0%**	**311,001**	**100.0%**	**32.4%**	
2. Segment results:	**NIS thousands**	**% gross profit**	**NIS thousands**	**% gross profit**	**% change**	
Residential pool cleaners	125,475	39.6%	103,307	40.6%	21.5%	The increase in gross profit is due to revenue growth. The decrease in the gross margin is mainly due to: 1. Foreign currency effects, mainly a significant drop of 8.4% in the Euro exchange rate, which lowered gross profit by NIS 5.1 million. 2. The increase in raw material prices and shipping rates, which offset the increase in sales prices and higher sales volumes.
Public pool cleaners	17,564	55.1%	9,281	56.1%	89.2%	The increase in gross profit is due to revenue growth. The slight drop in the gross margin is due to the increase in raw material prices and shipping rates.
Safety products and related pool products	19,816	31.2%	14,836	37.2%	33.6%	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 different product mix following the first-time consolidation of ECCXI.
Gross profit	**162,855**	**39.5%**	**127,424**	**41.0%**	**27.8%**	

Following is an analysis of revenue and gross profit, reported by segment						
	For the nine-month period ended September 30		**For the nine-month period ended September 30**			
	2022		**2021**			
1. Segment revenues:	**NIS thousands**	**% of total revenues**	**NIS thousands**	**% of total revenues**	**% change**	**Explanations**
Residential pool cleaners	1,326,930	85.7%	1,053,356	85.7%	26.0%	Growth is due to continuing elevated demand for robots in all major regions, the first-time consolidation of ECCXI and higher sales prices in the various regions. In local currency terms, the increase is 29%.
Public pool cleaners	75,260	4.9%	59,694	4.9%	26.1%	Revenue growth is largely attributed to continuing demand in the segment and an upturn 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	145,692	9.4%	115,572	9.4%	26.1%	Sales growth is largely due to the first-time consolidation of ECCXI and increased sales of water treatment products.
Total revenues	**1,547,882**	**100.0%**	**1,228,622**	**100.0%**	**26.0%**	
2. Segment results:	**NIS thousands**	**% gross profit**	**NIS thousands**	**% gross profit**	**% change**	
Residential pool cleaners	535,612	40.4%	452,096	42.9%	18.5%	The increase in gross profit is due to revenue growth. The decrease in the gross margin is mainly due to: 1. Foreign currency effects, mainly a significant drop of 7.8% in the Euro exchange rate, which lowered gross profit by NIS 34.7 million compared to the corresponding period. 2. An increase in raw material prices and shipping rates, which offset the increase in sales prices and higher sales volumes.
Public pool cleaners	39,876	53.0%	32,429	54.3%	23.0%	The increase in gross profit is due to revenue growth. The slight drop in the gross margin is due to the increase in raw material prices and shipping rates and the weakening of the Shekel against the major currencies (mainly the Euro).
Safety products and related pool products	51,681	35.5%	43,567	37.7%	18.6%	The increase in gross profit is due to revenue growth. 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 different product mix following the first-time consolidation of ECCXI.
Gross profit	**627,169**	**40.5%**	**528,092**	**43.0%**	**18.8%**	

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

Item	**For the three-month period ended September 30, 2022**	**For the three-month period ended September 30, 2021**	**% change**	**Main explanations**
Research and development expenses	12,718	11,580	9.8%	Ongoing focused development of robots and water technologies. Development costs in the water monitoring, control and treatment segment in the reporting period amounted to NIS 4.5 million.
Selling and marketing expenses	72,948	38,338	90.3%	The increase is largely due to the first-time consolidation of ECCXI, which contributed NIS 19.1 million to this line item. The rest of the increase is largely due to shipping costs to customers following the rise in shipping rates and freight volumes, which accounted for 54% of the total increase in selling and marketing expenses excluding the consolidation of ECCXI.
General and administrative expenses	33,104	26,258	26.1%	G&A expenses rose by NIS 6.8 million. The increase in the third quarter is due to the first-time consolidation of ECCXI, which contributed NIS 1.9 million to this line item, an increase in workforce in management departments, notably IT, and general expenses affected by business growth (e.g., local taxes and depreciation).
Operating profit	44,085	51,248	(14.0%)	The decline in the operating margin is largely the result of foreign currency effects, which contributed to a relative drop of NIS 5 million, and a considerable increase in shipping costs.
Finance income (expenses), net	594	(2,407)	-	In the reporting period net finance expenses were recorded due to higher interest charged on the Group's lines of credit, which was offset by finance income due to foreign currency effects in the period. In the corresponding period, net finance income was mainly recorded, due to foreign currency effects.
Other expenses	25	175	-	-
Income before taxes	43,466	53,480	(18.7%)	The decrease is largely due to the drop in operating profit.
Taxes on income	4,337	10,602	(59.1%)	The lower tax expenses are due to the decline in taxable income, a change in the profit mix in the Group, and recognition of Yizre'el Industrial Park as Development Zone A.
Net profit	39,129	42,878	(8.7%)	-

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

Item	For the nine-month period ended September 30, 2022	For the nine-month period ended September 30, 2021	% change	Main explanations
Research and development expenses	39,091	32,553	20.1%	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 such as the new cordless Liberty robot line, which was launched in November, after the reporting period, at the Piscine Global 2022 trade fair in Lyon, and new water technology products. Development costs in the pool water monitoring, control and treatment segment in the reporting period amounted to NIS 13.2 million.
Selling and marketing expenses	171,809	113,133	51.9%	The increase is largely due to the first-time consolidation of ECCXI, which contributed NIS 19.1 million, and to a significant rise in shipping costs to customers, which accounted for 63% of the total increase in expenses in the period, excluding the consolidation of ECCXI.
General and administrative expenses	99,639	81,347	22.5%	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 ECCXI transaction as described in section 2.2 above, and general expenses affected by business growth (e.g., local taxes and depreciation).
Operating profit	316,630	301,059	5.2%	Operating profit rose due to sales growth and the increase in gross profit and was offset by the higher operating expenses. Of note is the forex effect compared to the corresponding period, which lowered EBIT significantly, as described in section 2.4 above.
Finance expenses, net	2,906	1,965	47.9%	In the reporting period net finance expenses were recorded due to higher interest on larger lines of credit, which was offset by finance income due to foreign currency effects in the period. Last year, the trend was similar.
Other expenses (income)	(8)	141	-	-
Income before taxes	313,732	298,953	4.9%	The increase is largely due to growth in operating profit.
Taxes on income	49,911	54,573	(8.5%)	The decrease in tax expenses is largely due to the recognition of Yizre'el Industrial Park as Development Zone A and a change in the profit mix. The effective tax rate is 15.9% compared to 18.3% last year.
Net profit	263,821	244,380	8.0%	Net profit increased due to the increase in operating profit and was offset by the higher finance expenses as described above.

5. Equity

On September 30, 2022, the Company's equity, before non-controlling interests, amounted to NIS 697,637 thousand, constituting 34.2% of assets, compared to NIS 560,178 thousand, constituting 41.0% of assets, on the same date 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 and the first-time consolidation of ECCXI.

Non-controlling interests represent the non-controlling interests in MTFR, MTAU and ECCXI. On September 30, 2022, non-controlling interests amounted to NIS 63,314 thousand, compared to NIS 39,045 thousand on the same date last year. The increase in non-controlling interests is largely due to the first-time consolidation of ECCXI, in which the previous shareholders held approximately 30%.

6. Cash flows

Cash flow summary – On September 30, 2022, cash and cash equivalents amounted to NIS 168,006 thousand, compared to NIS 323,507 thousand last year.

In total, in the nine-month period cash balances for the period decreased by NIS 69,773 thousand, compared to an increase of NIS 96,990 thousand in the corresponding period last year.

The changes were due to the following factors:

Cash flows from operating activities – In the nine-month reporting period, the Company consumed operating cash flows amounting to NIS 97.2 million, compared to cash flows of NIS 221.1 million generated by the Company in the corresponding period last year. The increase in operating cash flows consumed in the reporting period is largely due to growth in inventory balances.

In the three-month period, the Company consumed operating cash flows of NIS 15.3 million, compared to NIS 99.1 million generated in the corresponding period last year. The decrease in operating cash flows in the third quarter of 2022 is exogenous to the Company's regular operations and is largely due to a sharp drop in ECCXI's balance of trade payables (first-time consolidation).

Cash flows from investing activities – In the nine-month reporting period, cash flows consumed in investing activities amounted to NIS 81.2 million, compared to NIS 61.3 million consumed by the Company in the corresponding period last year. In the reporting period, the Company invested more in the acquisition and capitalization of intangible assets and also acquired ECCXI.

In the three-month period, cash flows consumed in investing activities amounted to NIS 29.5 million, compared to NIS 18.7 million last year. As mentioned, this was due to increased investments by the Company in the acquisition and capitalization of intangible assets and the ECCXI acquisition.

Cash flows from financing activities – In the nine-month period, the Company generated NIS 105.4 million in cash flows from financing activities, compared to NIS 52.3 million consumed in the corresponding period last year. In the reporting period, the Company took more long-term credit to fund its business and paid a slightly higher dividend to shareholders.

In the three-month period, the Company consumed NIS 57.4 million compared to NIS 16.6 million last year, mainly due to higher repayment of 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. Around 98% of the Company's sales and 50% of its inputs are in foreign currency. Most of the Company's exposure is due to the revaluation of the Shekel against the Euro, against the US Dollar and against the Australian Dollar.

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

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

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

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

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.

Unofficial Translation from Hebrew

Statement of financial position according to linkage bases on September 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	19,894	128,765	16,631	-	2,716	-	168,006
Short-term investments	46	-	-	6,829	10,672	-	17,547
Trade receivables, net	177,972	68,149	58,075	-	11,219	-	315,415
Other accounts receivable	2,144	3,412	3,855	-	61,207	-	70,618
Inventory	-	-	-	-	-	830,586	830,586
Long-term deposits and debit balances	-	607	1,034	-	50	-	1,691
Fixed assets, net	-	-	-	-	-	182,608	182,608
Right-of-use assets, net	-	-	-	-	-	135,949	135,949
Intangible assets, net	-	-	-	-	-	287,812	287,812
Deferred taxes, net	-	-	-	-	-	29,483	29,483
Total assets	**200,056**	**200,933**	**79,595**	**6,829**	**85,864**	**1,466,438**	**2,039,715**
Liabilities							
Short-term credit	41,084	1,680	10,080	-	281,403	-	334,247
Trade payables	89,143	15,479	7,879	-	178,076	-	290,577
Other accounts payable	50,861	25,431	11,510	-	92,346	-	180,148
Lease liabilities	-	-	-	-	-	141,377	141,377
Deferred liability of acquired subsidiaries	23,688	15,591	-	-	-	-	39,279
Deferred taxes	-	-	-	-	-	1,648	1,648
Liabilities in respect of employee benefits, net	-	-	-	-	-	4,699	4,699
Contingent liability in respect of purchase of shares of a consolidated company	13,201	-	-	-	-	-	13,201
Other liabilities	21,261	1,347	623	-	250,357	-	273,588
Total liabilities	**239,238**	**59,528**	**30,092**	**-**	**802,182**	**147,724**	**1,278,764**
Net balance	**(39,182)**	**141,405**	**49,503**	**6,829**	**(716,318)**	**1,318,714**	**760,951**

Unofficial Translation from Hebrew

Statement of financial position according to linkage bases on September 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	132,714	163,107	26,489	-	1,197	-	323,507
Short-term investments	150	-	-	7,892	11,116	-	19,158
Trade receivables, net	69,502	73,847	40,329	-	9,001	-	192,679
Other accounts receivable	1,243	3,024	2,404	-	53,717	-	60,388
Inventory	-	-	-	-	-	345,513	345,513
Long-term deposits and debit balances	-	661	1,047	-	23	-	1,731
Fixed assets, net	-	-	-	-	-	135,052	135,052
Right-of-use assets, net	-	-	-	-	-	110,734	110,734
Intangible assets, net	-	-	-	-	-	156,608	156,608
Deferred taxes	-	-	-	-	-	20,106	20,106
Total assets	**203,609**	**240,639**	**70,269**	**7,892**	**75,054**	**768,013**	**1,365,476**
Liabilities							
Short-term credit	23,143	3,067	2	-	180,879	-	207,091
Trade payables	43,976	12,714	5,104	-	100,824	-	162,618
Other accounts payable	46,879	29,495	10,159	-	77,883	-	164,416
Lease liabilities	-	-	-	-	-	114,453	114,453
Deferred liability in respect of acquired subsidiary	-	33,009	-	-	-	-	33,009
Deferred taxes	-	-	-	-	-	2,706	2,706
Liabilities in respect of employee benefits, net	-	-	-	-	-	4,753	4,753
Other liabilities	25,835	3,176	488	-	47,708	-	77,207
Total liabilities	**139,833**	**81,461**	**15,753**	**-**	**407,294**	**121,912**	**766,253**
Net balance	**63,776**	**159,178**	**54,516**	**7,892**	**(332,240)**	**646,101**	**599,223**

		November 28, 2022
Yonatan Bassi Chairman of the Board	Sharon Goldenberg Chief Executive Officer	Date of approval of the Board of Directors' Report

Unofficial Translation from Hebrew

Maytronics Ltd.

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

Unofficial Translation from Hebrew

Maytronics Ltd.

Interim Consolidated Financial Statements as of September 30, 2022

Unaudited

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Building a better working world

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 September 30, 2022, as well as the condensed consolidated statements of income and other comprehensive income, changes in equity and cash flows, for the nine-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 27% of total consolidated assets as of September 30, 2022, and whose revenue as included in the consolidation constitutes approximately 53% and 60%, respectively, of total consolidated revenue for the nine-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,
November 28, 2022

Kost Forer Gabbay & Kasierer
Certified Public Accountants

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

Consolidated Statements of Financial Position

	September 30		December 31
	2022	2021	2021
	Unaudited		Audited
	NIS thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	168,006	323,507	237,779
Short-term investments	17,547	19,158	19,620
Trade receivables, net	315,415	192,679	115,917
Taxes receivable	3,397	-	-
Other accounts receivable	67,221	60,388	79,502
Inventory	830,586	345,513	529,705
	1,402,172	941,245	982,523
NON-CURRENT ASSETS:			
Long-term receivables	1,691	1,731	1,708
Fixed assets, net	182,608	135,052	151,308
Right-of-use assets, net	135,949	110,734	108,808
Intangible assets, net	287,812	156,608	164,475
Deferred taxes, net	29,483	20,106	27,274
	637,543	424,231	453,573
	2,039,715	1,365,476	1,436,096

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

Consolidated Statements of Financial Position

	September 30 2022	September 30 2021	December 31 2021
	Unaudited	Unaudited	Audited
	NIS thousands		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks	334,247	207,091	282,766
Current maturities of lease liabilities	24,435	19,324	20,394
Current maturities of deferred liability in respect of acquired subsidiaries	39,279	16,704	15,462
Trade payables	290,577	162,618	222,574
Income tax payable	9,215	27,521	5,899
Other accounts payable	148,935	120,884	119,544
Provisions	21,998	16,011	15,431
	868,686	570,153	682,070
NON-CURRENT LIABILITIES:			
Loans from banks	266,091	69,921	62,671
Lease liabilities	116,942	95,129	92,373
Deferred liability in respect of acquired subsidiary	-	16,305	-
Contingent liability in respect of purchase of shares of a consolidated company	13,201	-	-
Employee benefit liabilities, net	4,699	4,753	4,448
Other long-term liabilities	7,497	7,286	6,983
Deferred taxes	1,648	2,706	1,875
	410,078	196,100	168,350
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Share capital	11,220	11,208	11,210
Share premium	114,420	112,980	113,071
Treasury shares	(500)	(500)	(500)
Retained earnings	590,154	467,506	461,893
Capital reserve from share-based payment transactions	19,021	8,819	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	(30,440)	(33,270)	(44,081)
	697,637	560,178	547,058
Non-controlling interests	63,314	39,045	38,618
Total equity	760,951	599,223	585,676
	2,039,715	1,365,476	1,436,096

November 28, 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

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2022	2021	2022	2021	2021
	Unaudited		Unaudited		Audited
	NIS thousands				
Revenue from sales	1,547,882	1,228,622	411,920	311,001	1,409,395
Cost of sales	920,713	700,530	249,065	183,577	816,132
Gross profit	627,169	528,092	162,855	127,424	593,263
Research and development expenses	39,091	32,553	12,718	11,580	46,582
Selling and marketing expenses	171,809	113,133	72,948	38,338	155,408
General and administrative expenses	99,639	81,347	33,104	26,258	113,553
Operating profit	316,630	301,059	44,085	51,248	277,720
Other income (expenses), net	8	(141)	(25)	(175)	(114)
Finance income	12,299	18,715	19,895	14,482	34,384
Finance expenses	(15,205)	(20,680)	(20,489)	(12,075)	(30,156)
Income before taxes	313,732	298,953	43,466	53,480	281,834
Taxes on income	49,911	54,573	4,337	10,602	41,580
Net profit	263,821	244,380	39,129	42,878	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	14,523	(8,551)	(4,798)	(7,889)	(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)	14,523	(8,551)	(4,798)	(7,889)	(20,949)
Total comprehensive income	278,344	235,829	34,331	34,989	219,305
Net profit attributable to:					
Equity holders of the Company	253,271	229,625	35,112	37,980	224,012
Non-controlling interests	10,550	14,755	4,017	4,898	16,242
	263,821	244,380	39,129	42,878	240,254
Total comprehensive income attributable to:					
Equity holders of the Company	266,912	223,324	31,362	31,814	207,227
Non-controlling interests	11,432	12,505	2,969	3,175	12,078
	278,344	235,829	34,331	34,989	219,305
Net basic earnings per share attributable to equity holders of the Company (in NIS):	2.32	2.11	0.32	0.35	2.05
Net diluted earnings per share attributable to equity holders of the Company (in NIS):	2.31	2.10	0.32	0.35	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 profit	-	-	-	253,271	-	-	-	-	-	-	253,271	10,550	263,821
Other comprehensive income - adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	-	13,641	-	-	-	13,641	882	14,523
Total other comprehensive income	-	-	-	-	-	-	13,641	-	-	-	13,641	882	14,523
Total comprehensive income	-	-	-	253,271	-	-	13,641	-	-	-	266,912	11,432	278,344
Exercise of share options	10	1,349	-	-	(1,349)	-	-	-	-	-	10	-	10
Dividend paid	-	-	-	(125,010)	-	-	-	-	-	-	(125,010)	-	(125,010)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(4,100)	(4,100)
Acquisition of non-controlling interest occurring on first-time consolidation	-	-	-	-	-	-	-	-	-	-	-	17,364	17,364
Cost of share-based payment	-	-	-	-	8,667	-	-	-	-	-	8,667	-	8,667
Balance as of September 30, 2022	11,220	114,420	(500)	590,154	19,021	164	(30,440)	(1,654)	2,147	(6,895)	697,637	63,314	760,951

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

Consolidated Statements of Changes in Equity

	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
	Attributable to Equity Holders of the Company												
	Unaudited												
	NIS thousands												
Balance as of July 1, 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
Net profit	-	-	-	35,112	-	-	-	-	-	-	35,112	4,017	39,129
Other comprehensive loss - adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	-	(3,750)	-	-	-	(3,750)	(1,048)	(4,798)
Total other comprehensive loss	-	-	-	-	-	-	(3,750)	-	-	-	(3,750)	(1,048)	(4,798)
Total comprehensive income (loss)	-	-	-	35,112	-	-	(3,750)	-	-	-	31,362	2,969	34,331
Exercise of share options	4	603	-	-	(603)	-	-	-	-	-	4	-	4
Dividend paid	-	-	-	(65,010)	-	-	-	-	-	-	(65,010)	-	(65,010)
Acquisition of non-controlling interest occurring on first-time consolidation	-	-	-	-	-	-	-	-	-	-	-	17,364	17,364
Cost of share-based payment	-	-	-	-	2,326	-	-	-	-	-	2,326	-	2,326
Balance as of September 30, 2022	11,220	114,420	(500)	590,154	19,021	164	(30,440)	(1,654)	2,147	(6,895)	697,637	63,314	760,951

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 profit	-	-	-	229,625	-	-	-	-	-	-	229,625	14,755	244,380
Other comprehensive loss - adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	-	(6,301)	-	-	-	(6,301)	(2,250)	(8,551)
Total other comprehensive loss	-	-	-	-	-	-	(6,301)	-	-	-	(6,301)	(2,250)	(8,551)
Total comprehensive income (loss)	-	-	-	229,625	-	-	(6,301)	-	-	-	223,324	12,505	235,829
Exercise of share options	92	4,973	-	-	(4,973)	-	-	-	-	-	92	-	92
Dividend paid	-	-	-	(120,082)	-	-	-	-	-	-	(120,082)	-	(120,082)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(5,149)	(5,149)
Cost of share-based payment	-	-	-	-	5,352	-	-	-	-	-	5,352	-	5,352
Balance as of September 30, 2021	11,208	112,980	(500)	467,506	8,819	164	(33,270)	(1,981)	2,147	(6,895)	560,178	39,045	599,223

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

Consolidated Statements of Changes in Equity

	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
	Attributable to Equity Holders of the Company												
	Unaudited												
	NIS thousands												
Balance as of July 1, 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
Net profit	-	-	-	37,980	-	-	-	-	-	-	37,980	4,898	42,878
Other comprehensive loss - adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	-	(6,166)	-	-	-	(6,166)	(1,723)	(7,889)
Total other comprehensive loss	-	-	-	-	-	-	(6,166)	-	-	-	(6,166)	(1,723)	(7,889)
Total comprehensive income (loss)	-	-	-	37,980	-	-	(6,166)	-	-	-	31,814	3,175	34,989
Exercise of share options	2	173	-	-	(173)	-	-	-	-	-	2	-	2
Dividend paid	-	-	-	(75,010)	-	-	-	-	-	-	(75,010)	-	(75,010)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1,350)	(1,350)
Cost of share-based payment	-	-	-	-	2,857	-	-	-	-	-	2,857	-	2,857
Balance as of September 30, 2021	11,208	112,980	(500)	467,506	8,819	164	(33,270)	(1,981)	2,147	(6,895)	560,178	39,045	599,223

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												
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 profit	-	-	-	224,012	-	-	-	-	-	-	224,012	16,242	240,254
Other comprehensive loss - adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	-	(17,112)	-	-	-	(17,112)	(4,164)	(21,276)
Gains from remeasurement of defined benefit plans	-	-	-	-	-	-	-	327	-	-	327	-	327
Total other comprehensive income (loss)	-	-	-	-	-	-	(17,112)	327	-	-	(16,785)	(4,164)	(20,949)
Total comprehensive income (loss)	-	-	-	224,012	-	-	(17,112)	327	-	-	207,227	12,078	219,305
Exercise of share options	94	5,064	-	-	(5,064)	-	-	-	-	-	94	-	94
Dividend paid	-	-	-	(120,082)	-	-	-	-	-	-	(120,082)	-	(120,082)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(5,149)	(5,149)
Cost of share-based payment	-	-	-	-	8,327	-	-	-	-	-	8,327	-	8,327
Balance as of December 31, 2021	11,210	113,071	(500)	461,893	11,703	164	(44,081)	(1,654)	2,147	(6,895)	547,058	38,618	585,676

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

Consolidated Statements of Cash Flows

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2022	2021	2022	2021	2021
	Unaudited		Unaudited		Audited
	NIS thousands				
Cash flows from operating activities:					
Net profit	263,821	244,380	39,129	42,878	240,254
Adjustments to reconcile net profit to net cash provided by operating activities:					
Adjustments to profit or loss items:					
Taxes on income	49,922	31,707	21,802	12,130	47,043
Deferred taxes, net	(2,088)	4,528	(5,868)	717	(3,329)
Finance expenses, net	8,964	5,270	3,230	1,616	7,049
Depreciation and amortization	48,187	41,646	18,316	14,635	56,211
Cost of share-based payment	8,667	5,352	2,326	2,857	8,327
Revaluation of options to Kibbutz members	(1,861)	(522)	(833)	740	(582)
Increase in employee benefit liabilities, net	251	198	81	58	246
Interest accrued on long-term deposit and exchange differences on investments	(212)	(892)	(14)	(291)	(947)
Capital loss (gain) from sale of fixed assets, net	2	(149)	6	(60)	(139)
Revaluation of securities measured at fair value through profit or loss, net	1,725	(672)	412	(157)	(1,006)
Revaluation of derivatives, net	15,779	(13,648)	(9,279)	(6,636)	(23,133)
Exchange differences on cash and cash equivalents	1,379	5,239	6,131	2,828	8,656
	130,715	78,057	36,310	28,437	98,396
Changes in asset and liability items:					
Decrease (increase) in trade receivables, net	(180,338)	(115,770)	166,168	120,931	(41,111)
Decrease (increase) in other accounts receivable (including long-term)	10,457	(10,375)	7,787	(4,297)	(20,459)
Increase in inventories	(196,537)	(22,534)	(137,848)	(74,129)	(216,265)
Increase (decrease) in trade payables	(*) (106,340)	28,945	(*) (110,554)	(3,597)	90,691
Increase in other accounts payable, provisions and taxes payable	36,050	55,303	8,553	2,838	33,801
Increase (decrease) in other liabilities	3,822	93	140	(260)	630
	(432,886)	(64,338)	(65,754)	41,486	(152,713)
Cash paid and received during the period for:					
Interest and dividends received	325	351	135	173	468
Interest paid	(9,289)	(5,621)	(3,365)	(1,789)	(7,517)
Taxes paid (**)	(49,922)	(31,707)	(21,802)	(12,130)	(47,043)
	(58,886)	(36,977)	(25,032)	(13,746)	(54,092)
Net cash provided by (used in) operating activities	(97,236)	221,122	(15,347)	99,055	131,845

(*) The decrease in other accounts payable is largely attributed to the first-time consolidation of ECCXI, the business combination date being July 28, 2022 (see Note 7).

(**) Taxes paid include payment of tax on the release of trapped earnings (see Note 8F).

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

Consolidated Statements of Cash Flows

	Nine months ended September 30		Three months ended September 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	(45,194)	(25,849)	(13,389)	(8,809)	(39,613)
Purchase of fixed assets	(38,335)	(35,500)	(18,070)	(9,683)	(52,941)
Proceeds from sale of fixed assets	95	245	12	109	266
Repayment of deferred liability of acquired subsidiary	-	-	-	-	(15,962)
Acquisition of first-time consolidated subsidiary (B)	1,880	-	1,880	-	-
Proceeds from sale (purchase) of securities measured at fair value through profit or loss, net	348	(183)	21	(345)	(311)
Net cash used in investing activities	(81,206)	(61,287)	(29,546)	(18,728)	(108,561)
Cash flows from financing activities:					
Proceeds from exercise of options	10	92	4	2	94
Receipt (repayment) of short-term credit, net	10,769	71,653	(166,411)	37,595	147,709
Receipt of long-term loan	270,000	32,030	190,000	32,030	32,030
Repayment of long-term loans	(29,202)	(17,043)	(10,036)	(4,784)	(24,208)
Dividend paid to equity holders of the Company	(125,010)	(120,082)	(65,010)	(75,010)	(120,082)
Dividend paid to non-controlling interests	(4,100)	(5,149)	-	(1,350)	(5,149)
Repayment of lease liabilities	(16,977)	(13,856)	(5,943)	(5,099)	(19,192)
Net cash provided by (used in) financing activities	105,490	(52,355)	(57,396)	(16,616)	11,202
Exchange differences on cash and cash equivalent balances	(1,379)	(5,239)	(6,131)	(2,828)	(8,656)
Translation differences on cash balances of foreign operations	4,558	(5,251)	(1,996)	(5,271)	(14,568)
Increase (decrease) in cash and cash equivalents	(69,773)	96,990	(110,416)	55,612	11,262
Cash and cash equivalents at beginning of period	237,779	226,517	278,422	267,895	226,517
Cash and cash equivalents at end of period	168,006	323,507	168,006	323,507	237,779

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

Consolidated Statements of Cash Flows

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2022	2021	2022	2021	2021
	Unaudited		Unaudited		Audited
	NIS thousands				
(A) Significant non-cash transactions:					
Purchase of fixed assets and intangible assets on credit	11,777	7,035	11,777	7,035	12,161
Recognition of right-of-use asset against lease liability	44,817	30,613	33,540	11,692	35,299
Deferred liability in respect of acquired subsidiary	22,952	-	22,952	-	-
(B) Acquisition of first-time consolidated subsidiary:					
Working capital (excluding cash and cash equivalents)	33,310	-	33,310	-	-
Fixed assets	(769)	-	(769)	-	-
Right-of-use assets	(2,608)	-	(2,608)	-	-
Intangible assets	(48,604)	-	(48,604)	-	-
Goodwill	(35,119)	-	(35,119)	-	-
Lease liability	2,563	-	2,563	-	-
Deferred liability	22,952	-	22,952	-	-
Contingent consideration	12,791		12,791	-	-
Non-controlling interests	17,364	-	17,364	-	-
	1,880	-	1,880	-	-

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 September 30, 2022 and for the nine-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 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 is 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.

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 generally reflected in increased sales during the first and second quarters of the year. The reported operating results should be analyzed taking this seasonality into consideration.

Note 5 - Operating Segments

A. General

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

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

Management monitors the operating results of its business units separately for decision making regarding resource allocation and 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	Pool safety products and related products	Total
	Unaudited			
	NIS thousands			
For the nine-month period ended September 30, 2022				
Total revenues from externals	1,326,930	75,260	145,692	1,547,882
Total segment profit	535,612	39,876	51,681	627,169
Unallocated shared expenses				(310,539)
Other income, net				8
Finance expenses, net				(2,906)
Income before taxes				313,732

	Manufacture of residential pool robotic cleaners	Manufacture of public pool robotic cleaners	Pool safety products and related products	Total
	Unaudited			
	NIS thousands			
For the three-month period ended September 30, 2022				
Total revenues from externals	316,557	31,879	63,484	411,920
Total segment profit	125,475	17,564	19,816	162,855
Unallocated shared expenses				(118,770)
Other expenses, net				(25)
Finance expenses, net				(594)
Income before taxes				43,466

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 products	Total
	Unaudited			
	NIS thousands			
For the nine-month period ended September 30, 2021				
Total revenues from externals	1,053,356	59,694	115,572	1,228,622
Total segment profit	452,096	32,429	43,567	528,092
Unallocated shared expenses				(227,033)
Other expenses, net				(141)
Finance expenses, net				(1,965)
Income before taxes				298,953

	Manufacture of residential pool robotic cleaners	Manufacture of public pool robotic cleaners	Pool safety products and related products	Total
	Unaudited			
	NIS thousands			
For the three-month period ended September 30, 2021				
Total revenues from externals	254,612	16,534	39,855	311,001
Total segment profit	103,307	9,281	14,836	127,424
Unallocated shared expenses				(76,176)
Other expenses, net				(175)
Finance income, net				2,407
Income before taxes				53,480

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 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 nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2022	2021	2022	2021	2021
	Unaudited		Unaudited		Audited
	NIS thousands				
Europe	599,209	556,920	99,640	138,790	618,935
North America	771,268	531,197	238,439	112,272	574,105
Oceania	115,588	95,153	54,765	43,398	157,554
Rest of World	61,817	45,352	19,076	16,541	58,801
	1,547,882	1,228,622	411,920	311,001	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 in the statement of financial position is as follows:

	September 30		December 31
	2022	2021	2021
	Unaudited		Audited
	NIS thousands		
Long-term bank credit at fixed interest			
Carrying amount	207,981	-	29,546
Fair value	190,205	-	*

* 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 - Business Combinations

On July 28, 2022, the Company entered into an agreement with ECCXI Holdco, Inc. (hereinafter: the "Seller") and with Michael Hoffman and Christopher Hoffman, controlling shareholders of the Seller, for the acquisition of 70% of the share capital of ECCXI, LLC and the rights therein (hereinafter: "ECCXI"). ECCXI is an American corporation which mainly holds Backyard & Pool Superstore LLC, a private company that specializes in retail eCommerce in the swimming pool business, as well as three other corporations (hereinafter: the "Group"). The business combination date was determined as July 28, 2022.

The consideration was set at approximately USD 16 million plus working capital adjustments in accordance with the sale agreement as of the acquisition date. Approximately USD 11.6 million were paid at the closing (the business combination date), and the outstanding amount of approximately USD 6.7 million will be paid one year after the closing. In addition to the consideration, the subsidiary MTUS has undertaken to pay a contingent consideration of USD 3.7 million (based on its fair value on the acquisition date) if the Group's results in 2022-2023 exceed the agreed scope. The contingent consideration will be paid (if the conditions for the payment thereof are satisfied) two years after the closing date.

The Group has elected to measure the non-controlling interests in the acquiree at the proportionate share of the non-controlling interest of the fair value of the acquiree's net identifiable assets.

Note 7 - Business Combinations (cont'd)

Fair value of ECCXI's identifiable assets and liabilities at the acquisition date:

	Fair value
	NIS thousands
Cash and cash equivalents	41,769
Trade receivables, net	5,704
Other accounts receivable	17,129
Inventory	88,324
Fixed assets	769
Right-of-use assets	2,608
Intangible assets	48,604
Trade payables	(144,124)
Income tax payable	(343)
Lease liabilities	(2,563)
Net identifiable assets	57,877
Non-controlling interests	(17,364)
Goodwill arising on acquisition	35,119
Total cost of acquisition	75,632

The total cost of the business combination was NIS 75,632 thousand and included a cash payment of NIS 39,889 thousand. The deferred liability of NIS 22,952 thousand will be paid in the form of a promissory note for encashment on July 28, 2023. Deferred payments were discounted at an annual interest rate of 4.63%.
Direct acquisition costs attributed to the transaction at an amount of NIS 2,784 thousand were classified as an expense and recorded under G&A expenses.

Cost of acquisition

	NIS thousands
Cash paid	39,889
Deferred liability	22,952
Contingent consideration	12,791
Total cost of acquisition	75,632

	NIS thousands
Cash provided by the acquisition	
Cash and cash equivalents in acquiree on the acquisition date	41,769
Cash paid in consideration for the acquisition	(39,889)
Net cash	1,880

Note 7 - Business Combinations (cont'd)

Since the acquisition date, ECCXI has contributed NIS 608 thousand to consolidated net profit and NIS 69,978 thousand to consolidated revenue. If the business combination had been made at the beginning of the year, ECCXI's contribution is estimated at NIS 24 million and NIS 435 million to net profit and consolidated revenue, respectively.

Goodwill arising on acquisition is attributed to the future benefits arising from the synergy inherent in the integration of the Company's and the acquiree's businesses.

ECCXI's acquisition agreement includes an agreement that the prior owners will be entitled to an additional consideration upon the satisfaction of certain conditions (hereinafter: "Contingent Consideration"). The Contingent Consideration to be paid by the Group to the prior owners is as follows:

If the ECCXI's average EBITDA in the years 2022 and 2023 is at least USD 8 million, an additional payment shall be made according to a formula agreed by the parties. As of the acquisition date, the fair value of the Contingent Consideration is estimated at NIS 12,791 thousand.

Note 8 - 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. The estimated fair value of the options granted on the date of the Board of Directors' approval was set at approximately NIS 4 million. The following data were used to measure the fair value of the 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, and the record date was April 3, 2022.

Note 8 - Events During and After the Reporting Period (cont'd)

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 granted on the date of the Board of Directors' approval was set at approximately NIS 10.3 million. The following data were used to measure the fair value of the 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%.

E. In the reporting period, employees, service providers and senior officers of the Company exercised 191,600 options for the purchase of ordinary shares of the Company, via a cashless exercise mechanism. The employees, service providers and senior officers were issued 102,823 ordinary shares of the Company following the exercise of the options.

F. Further to Note 20.A to the Consolidated Annual Financial Statements concerning the temporary order pertaining to the release of trapped earnings, 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, in the third quarter 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.

G. 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 was paid on September 29, 2022, and the record date was August 31, 2022.

H. On November 28, 2022, the Board of Directors of the Company passed a resolution to grant 85,000 options to a senior officer of the Company. 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 40.21. 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 951 thousand. The following data were 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 38.03; volatility – 38.6%; expected life of the options – 4 years; risk-free interest rate – 3.24%; forfeiture rate – 10%.