Maytronics Ltd.

Board of Directors' Report on the State of the Corporation's Affairs

For the Period Ended December 31, 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 Company's business

Maytronics Ltd. and its subsidiaries (the "**Company**") specialize in the development, manufacture and marketing of robotic cleaners for residential and public swimming pools, and in the development, manufacture and marketing of automatic swimming pool covers and drowning detection systems, as well as the marketing of other related pool products. The Company's business is export-based, and 98% of the Company's revenues are generated from sales and services outside of Israel. Global distribution of the Company's products is largely carried out by external distributors and through subsidiaries. Distribution in the United States is carried out by Maytronics US, a subsidiary based in Atlanta, Georgia ("MTUS"), and by ECCXI, an MTUS subsidiary (acquired in 2022, as described in section 2.2 below); in France, by the subsidiary Maytronics France ("MTFR") and by 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.

The Company's business has a strong seasonality bias, and 64% of its sales in 2022, and most of its profits, were generated in the first half of the year. This seasonality arises from the fact that most of the Company's sales are made in the Northern Hemisphere, where use of home pools begins around April-May and ends around September. Accordingly, the Company's customers (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 status of the swimming pool market:

The Company's sales in full year grew by 26.8%, and by 20.2% excluding the consolidation of ECCXI, which was consolidated for the first time commencing on July 28, 2022 for a period of five months. Sales in the fourth quarter grew by 32%, and by 11% excluding the first-time consolidation of ECCXI. For further information on the acquisition and the effects of first-time consolidation, see sections 2.2 and 4 below.

In the full year, private pool robot sales grew by 25.9% compared to 2021, and by 25.4% in the fourth quarter. Sales of public pool robots experienced growth in demand and better ability by the Company to supply the demand and grew by 26.2% in the full year and by 26.8% in the fourth quarter of 2022. In pool safety products and other pool related products, sales increased by 34.5% in the full year and by 73.2% in the fourth quarter of 2022, mainly due to the first-time consolidation of ECCXI.

The fourth quarter was marked by ongoing early-buy demand for residential and public pool robotic cleaners, mainly in North America. In Europe, the Company experienced a drop in revenues in the quarter, largely due to the very high growth experienced in the corresponding quarter last year, when Europe sales rose 90%, as well as in light of the process of inventory adjustment in the distribution chain, similar to the overall trend observed in the pool industry and market.

In summing up the full-year period, compared to 2021, the Company's sales in local currency rose 13% in Europe, 53% in North America (40.6% excluding the first-time consolidation of ECCXI), and 15% in Oceania.

The Company estimates that throughout 2022, the pool market and the electronic cleaner market were in a process of returning to typical pre-COVID market behavior patterns in terms of the scope and timing of build-up in the distribution chain (in terms of the distribution chain's sales forecasts), the effects of the weather on the pool market, etc.

In 2023, the Company estimates revenue growth within a range of 13% to 20% and 0%-6% excluding the impact of ECCXI's consolidation, according to a forecast based on average exchange rates in Q1 2023.

The Company's estimation regarding growth potential in 2023 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 the operation of its products and their further development, due to the implications of the 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 2022.

2.2 **The ECCXI acquisition:** On July 7, 2022, the Company's subsidiary in North America, 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, 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 the 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 pool products (mostly third-party brands), particularly through eCommerce marketplaces such as Amazon, Walmart, eBay, Google Shopping and Target, as well as through its own websites.

The acquisition of Backyard represents a phase in the realization of the Company's 2025 strategy, which is focused on digital transformation and strengthening the relationship with the end user in general and in the North American market in particular – one of the Company's major and most important markets that represents significant growth potential in coming years.

The information regarding growth potential in the North American 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 in general and particularly through Backyard, 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, this 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 leverage this market snapshot, in general and particularly through Backyard, and 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, the existence of information about Backyard of which the Company is unaware, 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 2022.

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 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 the Acquiree in its financial statements commencing on said date.

Below is principal information from the first-time consolidation in the reporting period 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 (including intercompany consolidation adjustments)	**August 1, 2022 – December 31, 2022 (NIS thousands)**
Sales	**92,988**
Cost of sales	64,572
Gross profit	**28,416**
Selling and marketing expenses	30,769
General and administrative expenses	4,903
Operating loss (*)	**7,256**

(*) Including amortization of intangible assets created as part of the Purchase Price Allocation (PPA) on the acquisition at an amount of NIS 2,960 thousand, which was classified under COGS and selling and marketing expenses.

[1] For further conditions related to the contingent payment, see the Immediate Report of July 8, 2022, mentioned below.

Below is principal information from ECCXI's income statement (separate financial information) from its financial statements for the years 2021 and 2022:

	2022 (USD thousands)	**2021 (USD thousands)**
	Unaudited	
Revenue	145,102	102,282
Gross profit	41,344	29,603
EBITDA	6,688	5,283
Income before taxes	6,019	4,970

As stated above, ECCXI was acquired at the end of July, and in practical terms, its operating results are reflected in the Consolidated Financial Statements of the Company for a period of only five months.

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

1. The business results for the months of August through December are characterized by relatively low business volume, whereas fixed costs remain constant. ECCXI's operating results in 2022 reflect pleasing sales growth of 42% compared to 2021 while maintaining an operating margin of 5%

2. Relatively higher expenses in Q3 2022 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 classified under selling and marketing expenses.
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, which amounted to NIS 3 million in the 5-month consolidation period.
4. One-time acquisition costs of NIS 2,784 thousand were attributed to the transaction and included in G&A expenses.

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

2.3 On December 31, 2022, the Company's **order backlog** amounted to NIS 450.3 million compared to NIS 741.4 million on December 31, 2021, reflecting a decline of 39% in the Company's backlog in relation to last year. It is noted that at the end of 2020 and at the end of 2019, before the outbreak of COVID-19, order backlog was NIS 302.4 million and NIS 175.2 million, respectively.

In 2021, the entire market experienced a significant shortfall in the ability to supply sufficient goods to meet demand, which, in view of the upcoming 2022 season, prompted the Company's customers – distributors in the various regions – to order larger quantities of robots earlier in the season to ensure the supply of the Company's products given the difficulty experienced by the Company in meeting the elevated demand for its products in 2021. By contrast, at the end of 2022, as the pool market reverted to traditional activity patterns, inventory levels in the

distribution chain and the improvement in the Company's production capacity, as well as the significant increase in interest rates that affected the cost of inventory financing in the distribution chain, combined to bring about a change in the nature of build-up in the distribution chain and led to a relative decline in backlog, reflecting a return to traditional pre-pandemic consumption patterns.

2.4 **Foreign currency effects in 2022 compared to 2021:** In Q4 2022 (the fourth quarter being a quarter in which business is slower in relation to other quarters), compared to the corresponding period last year, the US Dollar strengthened against the Shekel by average of 10.6%, the Euro weakened by an average of 1.5%, and the Australian Dollar remained essentially stable. The effect of these changes in exchange rates contributed to an increase of NIS 12.5 million in sales and an increase of NIS 6.3 million in operating profit. By contrast, a sharp rise in exchange rates toward the end of 2022, notably the weakening of the Shekel against the Euro (7.7% from September 30, 2022 through December 31, 2022), contributed to relatively high finance expenses following the revaluation of foreign currency transactions. The currency effect on finance expenses amounted to NIS 15 million.

In the full-year period, compared to last year the US Dollar exchange rate rose by an average of 3.6%, the Euro exchange rate dropped by an average of 7.5%, and the Australian Dollar exchange rate dropped by an average of 3%. Foreign currency effects in 2022 compared to 2021 amounted to a decline of NIS 23.2 million in sales, a decline of NIS 27.2 million in gross profit, and a decline of NIS 25.3 million in operating profit, largely due to the significant weakening of the Euro.

2.5 **For the impacts of the pandemic and the global supply chain crisis on the Company,** see sections 1.6.4 and 1.6.5 in Part A, Description of the Corporation's Business.

2.6 **Dividend distribution:**

2.6.1 On March 23, 2022, the Board of Directors of the Company declared a final cash dividend for 2021 at an amount of NIS 60 million, reflecting NIS 0.5492 per share, which was paid on April 27, 2022.

2.6.2 On August 16, 2022, the Board of Directors of the Company declared a cash interim dividend for 2022 at an amount of NIS 65 million, reflecting NIS 0.594 per share, which was paid on September 29, 2022.

2.6.3 After the reporting period, on March 21, 2023, the Board of Directors of the Company declared a final cash dividend for 2022 at an amount of NIS 44 million, reflecting NIS 0.4015 per share. The dividend will be paid on June 25, 2023.

2.7 **Approval of the allotment of warrants to employees, managers and service providers:** For further information, see section 3.8.11 in Part A, Description of the Corporation's Business.

2.8 **Special General Meeting of January 25, 2022:** On January 25, 2022, the Special General Meeting approved the retirement benefits of the outgoing CEO, Mr. Eyal Tryber, the terms of office and employment of the incoming CEO, Mr. Sharon Goldenberg, the appointment of Ms. Shirith Kasher as an independent director (replacing Mr. Dan Lallouz, who completed a 9-year term as an independent director of the Company in November 2021), and the Company's engagement with its indirect controlling shareholder, Kibbutz Yizre'el, in a labor agreement. For

further information, on the Company's engagement with the controlling shareholder, see section 3.15.2 in Part A, Description of the Corporation's Business.

2.9 **Special General Meeting of April 4, 2022:** On April 4, 2022, the Special General Meeting approved amendments to the Company's Remuneration Policy pertaining to the consolidation and expansion of the cap on variable compensation (equity and cash); additionally, and further to the foregoing, the Company approved the allotment of 240,000 non-marketable and non-transferable warrants, exercisable for up to 240,000 registered ordinary shares of the Company of NIS 0.1 par value each to the Company CEO, Mr. Sharon Goldenberg, in accordance with the outline. For further information on the Company's Remuneration Policy, see section 3.8.11 in Part A, Description of the Corporation's Business.

2.10 **Annual General Meeting:** On July 14, 2022, the AGM approved the reappointment of the Company auditor (Kost Forer Gabbay & Kasierer) and the reappointment of the directors serving in office in the Company (excluding external directors, whose office will continue according to law). For further information on the convening of the meeting and the resolutions passed therein, see the Immediate Reports of May 18, 2022, June 2, 2022, and July 17, 2022 (reference no. 2022-01-60259, 2022-01-069190 and 2022-01-074847, respectively), the contents whereof are incorporated by reference.

2.11 **Special General Meeting of October 3, 2022:** On October 3, 2022, the 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.

2.12 **Special General Meeting after the reporting date:** After the reporting date, on January 18, 2023, the Special General Meeting approved a salary increase for the Company CEO, Mr. Sharon Goldenberg, and the renewal of the Company's Remuneration Policy with the amendment and revision thereof (with respect to matters relating to various compensation components of officers of the Company) for a further 3-year period, as described in the meeting convening report dated November 29, 2022 (reference no. 2022-01-143755) and an amendment thereto of January 10, 2023 (reference no. 2023-01-005682), the contents whereof are incorporated by reference. For further information on the Company's Remuneration Policy, see section 3.8.11 in Part A, Description of the Corporation's Business.

2.13 **Presentation of a new product line:** At the Piscine Global swimming pool and wellness trade fair, held in November 2022 at Eurexpo 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 began selling the new product line in Q1 2023. Other new technologies were also on show at the exhibition, including the Dolphin Wave 90i – a new public pool robot with IoT connectivity, as well as other new Company developments.

The Company's estimations regarding the materialization of the Dolphin Liberty's unique features 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 for 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 lower 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 2022.

3. Financial position

3.1 The Company's **current assets** on December 31, 2022 amounted to NIS 1,406,405 thousand, constituting 67% of total assets, compared to current assets of NIS 982,523 thousand constituting 68% of total assets on December 31, 2021.

Changes in current asset items are as follows:

a. At the end of the reporting period, **total cash and cash equivalents** and short-term investments amounted to NIS 138.5 million, compared to NIS 257.4 million at the end of the corresponding period last year, a decline of NIS 118.9 million. The decline is the result of working capital requirements and the ECCXI acquisition.

b. An increase of NIS 486.4 million in **inventory balance** compared to December 31, 2021, largely due to:
   (1) The first-time consolidation of ECCXI, whose inventory on the reporting date amounted to NIS 84 million.
   (2) An increase of NIS 106.9 million in raw material and work in process inventories. Supply chain constraints and low inventory levels in 2021, which harmed the Company's ability to supply goods, last year led the Company to the decision to make earlier and larger purchases of components and raw materials to ensure a response to the demand for its products and maintain manufacturing continuity to the greatest extent possible. This led to an increase in the value of raw material inventory. In addition, the prices of raw materials, shipping rates and the US Dollar exchange rate rose over the past year, which also contributed to the increase in inventory value. 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 levels, the Company is working, and will continue to work in upcoming quarters, on adjusting raw material inventory levels to the volume of demand and the Company's production capacity.
   (3) An increase of NIS 295.5 million in finished goods inventory. Ongoing sales growth and the inability to meet the elevated demand for products in 2021 and in Q1 2022 necessitated higher inventory levels in the second half of the year, designated for sale in the following sales season in the Northern Hemisphere. This trend, combined with the factors described in paragraph (2) above, is reflected in higher finished goods inventory, mostly in the subsidiaries.

This overall picture is also reflected in the increase in average days in inventory for the year, which were 279 days compared to an average of 177 days last year.

The Company's estimations regarding the results of its actions to reduce inventory levels and adjust them to the level of demand and the Company's production capacity are **forward-looking information,** as defined in the Securities Law, 1968, which is based, inter alia, on the Company's estimates regarding expected demand for its products in their target markets

and its ability to resourcefully manage production. These estimates may not materialize or may materialize in part should interest in the Company's products be lower or of a different mix than expected, should competitors introduce products of the same or similar kind, due to macroeconomic effects on the Company's customers 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 2022.

c. An increase of NIS 71.6 million in the balance of trade receivables due to sales growth and the mix of dates on which they were created, largely referring to an increase of NIS 58.2 million in Q4 2022 compared to Q4 2021. Average customer days rose to 77 compared to 65 days last year.

d. On December 31, 2022, the other receivables balance was NIS 64.3 million compared to NIS 79.5 million on December 31, 2021. The decline is largely the result of a lower valuation of foreign currency transactions following the significant increase in the exchange rates of the Euro and Australian Dollar as of December 31, 2022.

3.2 Long-term investments – On December 31, 2022, long-term deposits and debit balances amounted to NIS 1.7 million, similar to the balance on December 31, 2021, essentially unchanged between the periods.

3.3 Fixed assets – On December 31, 2022, the net balance of fixed assets amounted to NIS 200.3 million, compared to NIS 151.3 million on December 31, 2021. The increase in fixed assets is primarily due to investments in the Company's production sites in Dalton and Kibbutz Yizre'el, such as investments in the expansion of manufacturing and operating space 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 December 31, 2022, the balance of right-of-use assets amounted to NIS 144.4 million, compared to NIS 108.8 million on December 31, 2021. Right-of-use assets are attributed to the Company's lease agreements, which mainly include buildings and vehicles, against the recording of a liability.

3.5 Intangible assets – On December 31, 2022, the net balance of intangible assets amounted to NIS 297.5 million, compared to NIS 164.5 million on December 31, 2021. The increase in intangible assets is largely due to PPA of NIS 84 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 2022, the Company recorded investments of NIS 28.6 million in the robot segment, as well as investments of NIS 14.2 million in the pool water monitoring and control segment (compared to NIS 14.9 million last year).

3.6 Deferred tax assets – On December 31, 2022, the balance of deferred tax assets was NIS 41.3 million, compared to NIS 27.3 million on December 31, 2021. The tax asset is the result of timing differences in the Company and the creation of deferred tax assets in respect 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 December 31, 2022, the Company's current liabilities amounted to NIS 955.6 million, constituting 45.7% of total liabilities, compared to NIS 682.1 million, constituting 47.5% of total liabilities, on December 31, 2021. Significant changes in current liabilities items include the following:

a. An increase of NIS 194.6 million in short-term credit, mainly for the Group's working capital requirements.

b. An increase of NIS 17.5 million in trade payables due to business growth and higher inventories in the reporting period as well as the first-time consolidation of ECCXI. Average supplier days for the year rose to 95 compared to 83 days in the corresponding period last year.

c. An increase of NIS 41.9 million in other payables, largely due to a higher valuation of foreign currency transactions following a significant increase in the exchange rates of the Euro and Australian Dollar at year-end, as well as an increase in liabilities to employees and institutions and an increase in accrued expenses following growth in the Company's business.

3.8 On December 31, 2022, the Company's long-term liabilities amounted to NIS 396.9 million, compared to NIS 168.4 million on December 31, 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**

	December 31, 2022	**December 31, 2021**
Working capital (NIS thousands)	451,012	300,453
Current ratio	1.47	1.44
Quick ratio	0.41	0.66

The Company's working capital increased by 50% compared to December 31, 2021, largely due to growth in the Company's profits and a change in the credit mix. It is noted that in the reporting period, a dividend of NIS 125 million was paid to shareholders, compared to NIS 120.1 million period last year. The drop in the quick ratio is attributed to the increase in current liabilities items and inventory growth, as described in section 3.1 above.

4. Operating results in NIS thousands

Following are the condensed income statements for the years 2020-2022:

Item	2022	2022 *Pro forma, excluding ECCXI	2021	2020
Sales revenue	1,786,896	1,693,908	1,409,395	1,076,880
Gross profit **Gross margin**	718,309 40.2%	689,892 40.7%	593,263 42.1%	451,348 41.9%
Operating profit **Operating margin**	292,661 16.4%	299,915 17.7%	277,720 19.7%	208,215 19.3%
Net profit **Net margin**	227,749 12.7%	235,182 13.9%	240,254 17.0%	168,448 15.6%

Following is an analysis of revenue and gross profit by reportable segment

1. Segment revenues:	For the year ended December 31 2022		For the year ended December 31 2021		% change	Explanations
	NIS thousands	% of total revenues	NIS thousands	% of total revenues		
Residential pool cleaners	1,500,958	84.0%	1,192,105	84.6%	25.9%	Growth is due to ongoing elevated demand for robots in the key regions, mainly North America, the first-time consolidation of ECCXI and higher sales prices in the various regions. Growth in local currency is 28.5%.
Public pool cleaners	96,616	5.4%	76,534	5.4%	26.2%	Revenue growth is largely attributed to ongoing demand in the segment and an upturn in the Company's ability to supply the demand for these products, despite supply chain challenges.
Pool safety products and related pool products	189,322	10.6%	140,756	10.0%	34.5%	Sales growth is largely due to the first-time consolidation of ECCXI and growth in sales of water treatment products. By contrast, sales of related pool products by B&F declined.
Total revenues	**1,786,896**	**100.0%**	**1,409,395**	**100.0%**	**26.8%**	
2. Segment results:	**NIS thousands**	**Gross margin**	**NIS thousands**	**Gross margin**	**% change**	
Residential pool cleaners	601,297	40.1%	500,127	42.0%	20.2%	The increase in gross profit is due to revenue growth. The decline in the gross margin is mainly due to: 1. The increase in raw material prices and air and sea shipping rates, which were offset by higher sales prices and higher sales volumes. 2. Foreign currency effects, mainly a significant drop of 7.5% in the Euro exchange rate, which lowered gross profit by NIS 27.2 million compared to 2021.
Public pool cleaners	51,846	53.7%	41,360	54.0%	25.4%	The increase in gross profit is due to revenue growth. The slight decline in the gross margin is the result of higher raw material prices.
Pool safety products and related pool products	65,166	34.4%	51,776	36.8%	25.9%	Gross profit growth is due to sales growth. The decline in the gross margin is largely due to the weakening of the major currencies against the Shekel in the reporting period and the change in the product mix following the first-time consolidation of ECCXI.
Gross profit	**718,309**	**40.2%**	**593,263**	**42.1%**	**21.1%**	

1. Segment revenues:	For the three months ended December 31 2022		For the three months ended December 31 2021		% change	Explanations
	NIS thousands	% of total revenues	NIS thousands	% of total revenues		
Residential pool cleaners	174,028	72.8%	138,749	76.8%	25.4%	Growth is largely due to the supply of orders for robots for the coming season, mainly in North America, the first-time consolidation of ECCXI, higher sales prices in the various regions and positive currency effects.
Public pool cleaners	21,356	8.9%	16,840	9.3%	26.8%	Revenue growth is largely attributed to ongoing demand in the segment and an upturn in the Company's ability to supply the demand for these products, despite supply chain challenges.
Pool safety products and related pool products	43,630	18.3%	25,184	13.9%	73.2%	Sales growth is largely due to the first-time consolidation of ECCXI and growth in sales of water treatment products.
Total revenues	**239,014**	**100.0%**	**180,773**	**100.0%**	**32.2%**	
2. Segment results:	**NIS thousands**	**Gross margin**	**NIS thousands**	**Gross margin**	**% change**	
Residential pool cleaners	65,685	37.7%	48,031	34.6%	36.8%	The increase in gross profit is due to revenue growth. The increase in the gross margin is mainly due to: 1. Higher sales prices. 2. Foreign currency effects, notably a significant increase of 10.6% in the USD exchange rate, which led to an increase of NS 7.5 million in gross profit compared to the corresponding period last year. These were partially offset by the effects of the first-time consolidation of ECCXI and a moderate rise in raw material prices and shipping costs.
Public pool cleaners	11,970	56.0%	8,931	53.0%	34%	Gross profit growth is due to revenue growth. The increase in the gross margin is largely due to higher sales prices and foreign currency effects.
Pool safety products and related pool products	13,485	30.9%	8,209	32.6%	64.3%	Gross profit growth is due to revenue growth. The decline in the gross margin is largely due to the first-time consolidation of ECCXI, whose gross profit is slightly lower than the average for the segment.
Gross profit	**91,140**	**38.1%**	**65,171**	**36.1%**	**39.8%**	

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

Item	For the year ended December 31, 2022	For the year ended December 31, 2021	% change	Main explanations
Research and development expenses	52,641	46,582	13.0%	The Company is pursuing its development plan, the key element of which is realization of the Company's vision to lead the field while continuing to develop new generations of robots such as the new cordless line, Liberty, launched at Eurexpo Lyon last November, and new water technology products. Development costs in the water monitoring, control and treatment segment amounted to NIS 17.3 million in the reporting period compared to NIS 13 million last year. The increase is largely due to the costs of hiring for the development and quality control departments.
Selling and marketing expenses	238,088	155,408	53.2%	Selling and marketing expenses supported revenue growth of 26.8%. Most of the increase is due to the first-time consolidation of ECCXI, which contributed NIS 30.8 million, and a significant rise of 116% in shipping costs to customers experienced throughout the year, which accounted for 62% of the total increase in selling and marketing expenses in the period, excluding the consolidation of ECCXI.
General and administrative expenses	134,919	113,553	18.8%	Most of the increase is attributed to growth in IT following the accelerated growth of the Company's business, further hiring in management departments, the first-time consolidation of ECCXI and consulting fees associated with the ECCXI transaction as described in section 2.2 above, as well as general expenses affected by business growth (e.g., local taxes and depreciation).
Operating profit	**292,661**	**277,720**	**5.4%**	Operating profit rose due to sales growth and the increase in gross profit. The operating margin eroded somewhat, mainly due to the factors that impacted the gross margin as described above, a significant hike in shipping rates and the first-time consolidation of ECCXI, as explained in section 2.2 above.
Finance income (expenses), net	(28,995)	4,228	-	In the reporting period net finance expenses were recorded, mainly due to higher interest rates and larger debt levels, which led to an expense of NIS 16.5 million, and due to net foreign currency effects of NIS 6.4 million. Last year, credit-related finance expenses were NIS 4.4 million, and net finance income from forex effects was NIS 12.5 million.
Other expenses (income)	(29)	114	-	-
Income before taxes	**263,735**	**281,834**	**(6.4%)**	The decline is largely due to operating profit erosion as explained above and higher net finance expenses in the reporting period.
Taxes on income	35,986	41,580	(13.4%)	The effective tax rate declined to 13.6% compared to 14.8% last year. The decrease in the effective tax rate is due to tax income related to prior years recorded in the reporting period, recognition of Yizre'el Industrial Park as Development Zone A, and a change in the profit mix in the Group.
Net profit	**227,749**	**240,254**	**(5.2%)**	The decline is largely due to operating profit erosion as explained above and higher net finance expenses in the reporting period.

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

Item	For the three months ended December 31, 2022	For the three months ended December 31, 2021	% change	Main explanations
Research and development expenses	13,550	14,029	(3.4%)	Development costs in the robot segment amounted to NIS 8.6 million in the quarter, compared to NIS 8.2 million in the corresponding period last year. Development costs in the water monitoring, control and treatment segment in the quarter amounted to NIS 4.1 million, compared to NIS 4.9 in the corresponding period in 2021.
Selling and marketing expenses	66,279	42,275	56.8%	Most of the increase is due to the first-time consolidation of ECCXI, which contributed NIS 11.6 million, and to a considerable 113% rise in shipping costs to customers, which accounted for 63% of the total increase in selling and marketing expenses, excluding the consolidation of ECCXI, as well as higher advertising and promotion costs associated with the Company's participation in the Lyon trade exhibition.
General and administrative expenses	35,280	32,206	9.5%	The increase is attributed to the first-time consolidation of ECCXI.
Operating loss	**23,969**	**23,339**	**2.7%**	The negative operating margin eroded somewhat, largely due to the factors that impacted the gross margin as described above, as well as following the decline in the R&D to sales ratio and the G&A to sales ratio, which was partially offset by a considerable rise in shipping costs and the first-time consolidation of ECCXI.
Finance income (expenses), net	(26,049)	6,193	-	In the quarter, net finance expenses were recorded, mainly due to higher interest rates and higher debt levels, which led to an expense of NIS 7.1 million. Furthermore, the sharp rise in exchange rates toward the end of 2022, particularly the weakening of the Shekel against the Euro (7.7% from September 30, 2022 through December 31, 2022), contributed to relatively high finance expenses due to the revaluation of foreign currency transactions. The foreign currency impact on finance expenses was NIS 15 million. Last year, credit-related expenses of NIS 1.3 million were recorded, as well as net finance income of NIS 8.4 million from forex effects.
Other income	21	27	-	-
Loss before taxes	**49,997**	**17,119**	**192.1%**	The higher loss is largely due to the increase in net finance expenses as explained above.
Tax revenue	13,925	12,993	7.2%	It is noted that tax revenue last year includes recognition of Yizre'el Industrial Park as Development Zone A as well as the result of a change in the profit mix in the Group.
Net loss	**36,072**	**4,126**	**774.3%**	The decline is largely due to higher net finance expenses in the reporting period, as explained above.

5. Equity

On December 31, 2022, the Company's equity before non-controlling interests amounted to NIS 674,077 thousand, constituting 32.2% of assets, compared to NIS 547,058 thousand, constituting 38.1% of assets, last year. The increase in equity is largely due to growth in the Company's profits and was offset by a dividend paid. The decline in the equity-to-asset ratio is due to 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 December 31, 2022, non-controlling interests amounted to NIS 65,177 thousand, compared to NIS 38,618 thousand on December 31 last year. The increase in non-controlling interests is largely due to the first-time consolidation of ECCXI, in which the former shareholders hold 30%.

Total equity including non-controlling interests is NIS 739,254 thousand, constituting 35.3% of assets, compared to NIS 585,676 thousand, constituting 40.8% of assets last year.

6. Cash flows

Cash flow summary – On December 31, 2022, cash and cash equivalents amounted to NIS 120,891 thousand, compared to NIS 237,779 thousand at the end of 2021.
In total, in 2022 cash balances decreased by NIS 116,888 thousand, compared to an increase of NIS 11,262 thousand in 2021.

The changes are due to the following factors:

Cash flows from operating activities – In 2022, the Company consumed operating cash flows of NIS 216.7 million, compared to operating cash flows of NIS 132 million generated by the Company last year.
The decrease in operating cash flows in the reporting period compared to the corresponding period is largely due to higher inventory, as explained in section 3.1.b above, which offset the Company's earnings this year. The decline in operating cash flows in the second half of the year was also the result of a sharp drop in ECCXI's trade payables balance (first-time consolidation).

Cash flows from investing activities – In 2022, cash flows used in investing activities amounted to NIS 130.6 million, compared to NIS 108.6 million consumed by the Company last year.
The increase is largely due to fixed assets. The Company made investments in the production sites in Dalton and Kibbutz Yizre'el. Key investments include expansion of manufacturing and operating space, office buildings, production lines, and machinery and equipment, following growth in the Company's business. In the reporting period, the Company invested more in the acquisition and capitalization of intangible assets, and also acquired ECCXI.

Cash flows from financing activities – In 2022, the Company generated cash flows of NIS 217.4 million from financing activities, compared to NIS 11.2 million generated last year. In 2022, the Company took more long-term credit to finance its business and paid a slightly higher dividend to shareholders.

B. Market risk exposure and management methods

1. The Company's Market Risk Manager:

   The CEO, Mr. Sharon Goldenberg, and the CFO, Mr. Meni Maymon, CPA, are responsible for the management of market risks in the Company (for information on said managers, see Regulation 26A in Chapter D of the 2022 Periodic Report).

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

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

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

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

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

3. Company policy for managing 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.
   The main 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). To hedge balance sheet exposure, the Company also occasionally purchases call options.

4. Oversight of the market risk management policy and its realization:

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

Statement of financial position according to linkage bases on December 31, 2022

	USD-linked	EUR-linked	AUD-linked	CPI-linked	Unlinked and other	Non-financial instru-ment	Total
	NIS thousands						
Assets							
Cash and cash equivalents	39,135	72,093	6,697	-	2,966	-	120,891
Short-term investments	46	-	-	6,981	10,590	-	17,617
Trade receivables, net	102,529	25,049	56,311	-	3,615	-	187,504
Other accounts receivable	3,586	3,718	1,451	-	48,703	6,837	64,295
Inventory	-	-	-	-	-	1,016,098	1,016,098
Long-term deposits and debit balances	-	661	1,057	-	33	-	1,751
Fixed assets, net	-	-	-	-	-	200,312	200,312
Right-of-use assets, net	-	-	-	-	-	144,395	144,395
Intangible assets, net	-	-	-	-	-	297,453	297,453
Deferred taxes, net	-	-	-	-	-	41,298	41,298
Total assets	**145,296**	**101,521**	**65,516**	**6,981**	**65,907**	**1,706,393**	**2,091,614**
Liabilities							
Short-term credit	130,381	12,813	10,973	-	323,255	-	477,422
Trade payables	73,903	11,136	6,077	-	148,978	-	240,094
Other accounts payable	41,743	22,469	10,359	-	99,051	11,463	185,085
Lease liabilities	-	-	-	-	-	151,061	151,061
Deferred liability in respect of acquired subsidiary	25,882	-	-	-	-	-	25,882
Deferred taxes	-	-	-	-	-	1,502	1,502
Liabilities in respect of employee benefits, net	-	-	-	-	-	4,259	4,259
Contingent liability in respect of purchase of shares of a consolidated company	13,112	-	-	-	-	-	13,112
Other liabilities	19,361	1,144	758	-	232,680	-	253,943
Total liabilities	**304,382**	**47,562**	**28,167**	**-**	**803,964**	**168,285**	**1,352,360**
Net balance	**(159,086)**	**53,959**	**37,349**	**6,981**	**(738,057)**	**1,538,108**	**739,254**

Statement of financial position according to linkage bases on December 31, 2021

	USD-linked	EUR-linked	AUD-linked	CPI-linked	Unlinked and other	Non-financial instru-ment	Total
	NIS thousands						
Assets							
Cash and cash equivalents	112,519	111,543	12,019	-	1,698	-	237,779
Short-term investments	47	-	-	7,878	11,695	-	19,620
Trade receivables, net	29,922	31,344	50,915	-	3,736	-	115,917
Other accounts receivable	1,076	2,304	669	-	61,577	13,876	79,502
Inventory	-	-	-	-	-	529,705	529,705
Long-term deposits and debit balances	-	627	1,006	-	75	-	1,708
Fixed assets, net	-	-	-	-	-	151,308	151,308
Right-of-use assets, net	-	-	-	-	-	108,808	108,808
Intangible assets, net	-	-	-	-	-	164,475	164,475
Deferred taxes, net	-	-	-	-	-	27,274	27,274
Total assets	**143,564**	**145,818**	**64,609**	**7,878**	**78,781**	**995,446**	**1,436,096**
Liabilities							
Short-term credit	53,162	2,777	-	-	226,827	-	282,766
Trade payables	58,896	12,348	5,503	-	145,827	-	222,574
Other accounts payable	31,001	23,620	8,541	-	69,522	8,190	140,874
Lease liabilities	-	-	-	-	-	112,767	112,767
Deferred liability in respect of acquired subsidiary	-	15,462	-	-	-	-	15,462
Deferred taxes	-	-	-	-	-	1,875	1,875
Liabilities in respect of employee benefits, net	-	-	-	-	-	4,448	4,448
Other liabilities	23,328	2,471	585	-	43,270	-	69,654
Total liabilities	**166,387**	**56,678**	**14,629**	**-**	**485,446**	**127,280**	**850,420**
Net balance	**(22,823)**	**89,140**	**49,980**	**7,878**	**(406,665)**	**868,166**	**585,676**

Derivative financial instruments:

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

On December 31, 2022:

			Par value in source currency, in thousands		
	Currency	**Maturity / expiration date**	**Long**	**Short**	**Fair value NIS thousands**
Foreign currency futures	EUR/ILS	1-12/2023	146,500	120,000	-21,774
	AUD/ILS	1-12/2023		27,600	-1,241
	USD/ILS	01/2023		20,000	-100

On December 31, 2021:

			Par value in source currency, in thousands		
	Currency	**Maturity / expiration date**	**Long**	**Short**	**Fair value NIS thousands**
Foreign currency futures	EUR/ILS	1-11/2022	72,500	94,750	20,090
	AUD/ILS	1-11/2022		23,350	4,505
	USD/ILS	1-4/2022		32,000	-525

Sensitivity tests on financial instruments as of December 31, 2022

On the date of the statement of financial position, the Company performed four sensitivity tests on changes in market factors, in the upper and lower range of 5% and 10%. The market tests were performed in accordance with the model that was defined.

1. Table specifying the changes in the fair value of financial instruments which are sensitive to changes in the exchange rate of the **USD**:

	Profit (loss) from changes (NIS thousands)		NIS thousands	Profit (loss) from changes (NIS thousands)	
	+10% NIS 3.871 to USD 1	**+5%** NIS 3.695 to USD 1	**Fair value** NIS 3.519 to USD 1	**-5%** NIS 3.343 to USD 1	**-10%** NIS 3.167 to USD 1
Cash and cash equivalents	3,914	1,957	39,135	-1,957	-3,914
Short-term investments	5	2	46	-2	-5
Trade and other receivables	10,612	5,306	106,115	-5,306	-10,612
Short-term credit	-13,038	-6,519	-130,381	6,519	10,308
Trade and other payables	-11,565	-5,782	-115,646	5,782	11,565
Long-term loan	-1,936	-968	-19,361	968	1,936
Total	**-12,008**	**-6,004**	**-120,092**	**6,004**	**12,008**

2. Table specifying the changes in the fair value of financial instruments which are sensitive to changes in the exchange rate of the **EUR**:

	Profit (loss) from changes (NIS thousands)		NIS thousands	Profit (loss) from changes (NIS thousands)	
	+10% NIS 4.128 to EUR 1	**+5%** NIS 3.941 to EUR 1	**Fair value** NIS 3.753 to EUR 1	**-5%** NIS 3.565 to EUR 1	**-10%** NIS 3.378 to EUR 1
Cash and cash equivalents	7,209	3,605	72,093	-3,605	-7,209
Trade and other receivables	2,877	1,438	28,767	-1,438	-2,877
Short-term credit	-1,281	-641	-12,813	641	1,281
Trade and other payables	-3,361	-1,680	-33,605	1,680	3,361
Long-term loan	-26	-13	-263	13	26
Total	**5,418**	**2,709**	**54,179**	**-2,709**	**-5,418**

3. Table specifying the changes in the fair value of financial instruments which are sensitive to changes in the exchange rate of the **AUD**:

	Profit (loss) from changes (NIS thousands)		NIS thousands	Profit (loss) from changes (NIS thousands)	
	+10% NIS 2.630 to AUD 1	**+5%** NIS 2.511 to AUD 1	**Fair value** NIS 2.391 to AUD 1	**-5%** NIS 2.272 to AUD 1	**-10%** NIS 2.152 to AUD 1
Cash and cash equivalents	670	335	6,697	-335	-670
Trade and other receivables	5,776	2,888	57,762	-2,888	-5,776
Short-term credit	-1,097	-549	-10,973	549	1,097
Trade and other payables	-1,644	-822	-16,436	822	1,644
Total	**3,705**	**1,852**	**37,050**	**-1,852**	**-3,705**

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

	Profit from changes (NIS thousands)		NIS thousands	Loss from changes (NIS thousands)	
	+10% 118.8 points	**+5%** 113.4 points	**Fair value** 108.0 points	**-5%** 102.6 points	**-10%** 97.2 points
Short-term investments	698	349	6,981	-349	-698
Total	**698**	**349**	**6,981**	**-349**	**7698**

C. Aspects of Corporate Governance

Disclosure regarding the corporation's internal auditor

The Company's internal auditor is Mr. Daniel Shapira, C.P.A.

a. Mr. Shapira is an accountant with 30 years of experience in internal audits of public companies.

b. The internal auditor is not a Company employee but, provides the Company with internal audit services through outsourcing.

c. To the best of the Company's knowledge, the internal auditor meets the conditions set forth in section 146(B) of the Companies Law, 1999, and the conditions set forth in section 8 of the Internal Audit Law, 1992 (the "**Internal Audit Law**").

d. The auditor commenced his tenure in November 2004; his appointment was approved by the Company's Audit Committee and Board of Directors on November 9, 2004, due to his qualifications and professional experience.

e. The estimated scope of his position is 630 annual hours. In the opinion of the Audit Committee, this scope reflects the number of hours required to implement the audit plan.

f. For the year 2022, the internal auditor was paid a fee of NIS 135 thousand. The auditor's fees were paid based on the number of hours determined for the audit plan and its actual implementation, is independent of the audit results, and is in accordance with the accepted rate and market conditions, and therefore, the Board of Directors is of the opinion that it is not a factor which could affect his professional judgment.

g. Considerations in defining the current and multi-annual audit plans:
The audit plan for 2022 refers to the Company and its subsidiaries and was formulated and approved by the Board of Directors' Audit Committee at the internal auditor's recommendation in conjunction with Company management, such that most material issues will be evaluated as part of the internal audit work over the long term. The internal auditor has the discretion to deviate from the work plan.

h. Professional standards guiding the audit:
As announced by the internal auditor, the audit is performed in accordance with generally accepted auditing standards, professional guidance and instructions which were approved and published by the Institute of Internal Auditors in Israel.

i. The internal auditor's supervisor in the Company is the Company CEO.

j. In 2022, the internal auditor performed 6 audits. The reports were submitted to the Chairman of the Board, to the CEO and to the Audit Committee during the year, in writing. The reports were discussed in meetings of the Audit Committee that were dedicated to the discussion of the internal audit reports. The meetings included presentation of the internal audit report to the committee members; the internal auditor presented the audit findings, and the Company's representatives presented the Company's reference to the report as well as corrective actions.

<u>The reports addressed the following subjects</u>:

- An internal audit of the implementation of the recommendations presented in an audit report on safety and security in the subsidiary in France. The audit was performed in June 2022 and was presented to the Audit Committee for discussion on September 28, 2022.
- An internal audit of the safety of pool cover products in the subsidiary in France, performed in May-June 2022, and presented to the Audit Committee for discussion on September 28, 2022.
- An internal audit of Human Resources and wages in the subsidiary in France, performed in May-July 2022, and presented to the Audit Committee for discussion on September 28, 2022.
- An internal audit of the implementation of the recommendations presented in an audit report concerning the management of patents and trademarks, performed in 2019. The audit was performed in August-September 2022, and presented to the Audit Committee for discussion on December 14, 2022.
- An internal audit of information security and cyber security. The audit was performed in August-October 2022, and presented to the Audit Committee for discussion on December 14, 2022.
- An internal audit of procurement in the subsidiary in France. The audit was performed in June-December 2022, and presented to the Audit Committee for discussion on January 29, 2023.

k. Scope, nature and consecutiveness of the internal auditor's activities and work plan:
The Board of Directors is of the opinion that the scope, nature and consecutiveness of the internal auditor's activities and work plan are reasonable and adequate for the purpose of achieving the Company's internal audit goals. The scope of the audit will be evaluated each year by the internal auditor in conjunction with the Audit Committee and Company management.

l. The internal auditor has continuous, direct access to any information sought by him, including financial data as specified in section 9 of the Internal Audit Law, as well as concerning audits he had conducted as aforesaid with respect to the Company's subsidiaries.

Disclosure regarding the auditor's fees

The Company's auditor is Kost Forer Gabbay & Kasierer (EY Israel).
The Company auditor's fees in 2022 and 2021 for audit services, audit-related services and tax services amounted to NIS 844 thousand and NIS 741 thousand per year, respectively.
The auditor's fees were determined between the Company and the auditors in accordance with the required scope of work.

Directors with accounting and financial expertise

In accordance with the provisions of the Securities Law, 1968 and the provisions of the Companies Law, 1999 and the regulations promulgated under the Companies Law, the Company was required to determine the appropriate minimum number of directors with accounting and financial expertise.
The Company's Board of Directors decided that noting the scope of the Company's business, its size and field of business, the appropriate minimum number of directors with accounting and financial expertise will be at least two directors.
As of the date of this report, 3 directors have accounting and financial expertise: Mr. Shlomo Liran, Mr. Ariel Brin-Dolinko and Ms. Shirith Kasher. For details regarding their relevant education and experience, see section 14 in Part D (Additional Information) of this Periodic Report.

Independent directors

As of the date of this report, the Company has not adopted a provision in its articles of association regarding the minimum number of independent directors (as this term is defined in the Companies Law, 1999) who will serve on the Company's Board of Directors from time to time.

It is noted that as of the date of this report, one independent director serves on the Company's Board of Directors - Ms. Shirith Kasher, as specified in Regulation 26(A) in Part D of this Periodic Report.

Donations

The Company's policy is to donate to organizations and nonprofits that work for the benefit of the community, for the advancement of health issues and support populations in need. In 2022, the Company donated NIS 264 thousand.

Critical accounting estimates

In preparing the financial statements, Company management is required to apply judgment and to use assessments, estimates and assumptions, which affect the implementation of accounting policy. For further information regarding these assumptions and estimates, see Note 3 to the financial statements.

		March 21, 2023
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.

Consolidated Financial Statements
As of December 31, 2022

Unofficial Translation from Hebrew

Maytronics Ltd.

Consolidated Financial Statements as of December 31, 2022

Table of Contents

	Page
Independent Auditors' Report - Internal Control over Financial Reporting	3
Independent Auditors' Report	4-5
Consolidated Statements of Financial Position	6-7
Consolidated Statements of Profit or Loss and Other Comprehensive Income	8-9
Consolidated Statements of Changes in Equity	10-12
Consolidated Statements of Cash Flows	13-15
Notes to the Consolidated Financial Statements	16-82

Unofficial Translation from Hebrew

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Independent Auditors' Report to the Shareholders of Maytronics Ltd.

Regarding the Audit of Components of Internal Control over Financial Reporting

In Accordance with Section 9B(c) of the Securities Regulations

(Periodic and Immediate Reports), 1970

We have audited internal controls over financial reporting of Maytronics Ltd. and its subsidiaries (hereinafter, jointly: the "Company") as of December 31, 2022. These controls were determined as explained in the following paragraph. The Company's board of directors and management are responsible for maintenance of effective internal control over financial reporting and for the evaluation of the effectiveness of internal control components over financial reporting attached to the periodic report for the abovementioned date. Our responsibility is to express an opinion on internal control components over the Company's financial reporting, based on our audit.

Internal control components over financial reporting audited by us were determined in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "Audit of Internal Control over Financial Reporting" (hereinafter – "Audit Standard (Israel) 911"). These components are: (1) Entity level controls, including controls over the preparation and closure of the financial reporting process and general information technology controls; (2) controls over the revenue process; (3) controls over the inventory process (all of these will be referred to hereinafter as: the "Audited Control Components").

We conducted our audit in accordance with Auditing Standard (Israel) 911. Pursuant to this standard we are required to plan and perform the audit with the goal of identifying the Audited Control Components and to obtain a reasonable level of certainty whether these control components were effectively maintained in all material respects. Our audit included gaining an understanding of the internal control over financial reporting, identification of the Audited Control Components, evaluation of the risk that a significant weakness exists in the Audited Control Components, and examination and evaluation of the effectiveness of the planning and operation of those control components based on the assessed risk. Our audit, with respect to those control components, also included performance of other procedures such as those we considered necessary under the circumstances. Our audit referred solely to the Audited Control Components, as opposed to internal control over the overall significant processes in connection with the financial reporting and, therefore, our opinion relates solely to the Audited Control Components. In addition, our audit did not refer to reciprocal impacts between the Audited Control Components and those not audited and, therefore, our opinion does not take into account these possible impacts. We believe our audit provides a reasonable basis for our opinion in the context described above.

Because of its inherent limitations, internal control over financial reporting, in general, and components thereof, in particular, may not prevent or discover a misstatement. In addition, drawing conclusions with respect to the future on the basis of evaluation of any current effectiveness is exposed to the risk that the controls will become inadequate due to changes in circumstances or that the extent of compliance with the policies or the procedures will change for the worse.

In our opinion, the Company effectively implemented, in all material respects, the Audited Control Components as of December 31, 2022.

We have also audited, in accordance with generally accepted auditing standards in Israel, the Company's consolidated financial statements as of December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, and our report, dated March 21, 2023, includes an unqualified opinion regarding those financial statements.

Haifa,

March 21, 2023

Kost Forer Gabbay and Kasierer

Certified Public Accountants

Unofficial Translation from Hebrew

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Independent Auditors' Report

To the Shareholders of Maytronics Ltd.

We have audited the attached consolidated statements of financial information of Maytronics Ltd. (hereinafter: the "Company") as of December 31, 2022 and 2021, as well as the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2022. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on these financial statements, based on our audit.

We have not audited the financial statements of consolidated companies, whose assets as included in the consolidation constitute 35% and 16% of total consolidated assets as of December 31, 2022 and 2021, respectively, and whose income as included in the consolidation constitute 54%, 45% and 43% of total consolidated income for the years ended December 31, 2022, 2021 and 2020, respectively. The financial statements of those companies were audited by other auditors, whose reports were furnished to us, and our opinion, insofar as it pertains to the amounts which were included in respect of those companies, is based on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards set forth in the Auditors' Regulations (Auditor's Mode of Performance), 1973. Pursuant to these standards, we are required to plan and conduct the audit with the aim of obtaining a reasonable measure of assurance that the financial statements are free of any material misrepresentation. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated companies as of December 31, 2022 and 2021, and the results of their operations, changes in equity and cash flows for each of the three years in the period ended December 31, 2022, in conformity with International Financial Reporting Standards (IFRS) and with the provisions of the Securities Regulations (Annual Financial Statements), 2010.

Key Audit Matters ("KAM")

Key audit matters are matters that were communicated, or were required to be communicated, to the Board of Directors of the Company and which, according to our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters include, inter alia, any matter that (1) relates, or may relate, to material sections or disclosures in the financial statements, and that (2) our judgment in their respect was challenging, subjective or particularly complex. These matters were addressed in our audit and in the formulation of our opinion of the overall consolidated financial statements. The communication of these matters below does not alter our opinion on the overall consolidated financial statements, and we do not render thereby a separate opinion on those matters or on the sections or disclosures to which they refer.

Capitalization of Development Costs

As stated in note 14 to the financial statements of the Group, in 2022, development costs amounting to NIS 45 million were capitalized, and the Group's total net balance of capitalized development costs as of December 31, 2022 was NIS 148 million. Capitalization of development costs requires the exercise of judgment by management and the persons responsible for corporate governance when determining if an expense meets the criteria in IAS 38, Intangible Assets, and is consistent with the Group's accounting policies. The Company distinguishes between costs generated in the research phase, which are recognized as an expense when incurred, and costs generated in development, which are capitalized by the Group after the criteria for capitalization in accordance with IAS 38 have been met.

Due to the foregoing and particularly in view of the high amount of capitalized costs and the judgment given to management regarding capitalization, we identified this as a key audit matter.

Audit Procedures Implemented in Response to the Key Audit Matter

Following are the main procedures implemented with respect to this KAM in our audit:

- Assessment of the satisfaction of the criteria for capitalization of development costs.
- Review of Group management's main assumptions when defining the project phase and determining that a project is in the development phase.
- Assessment of the accuracy of the costs and a review of the existence of indications of impairment.
- Assessment of the fairness of the disclosure in the consolidated financial statements concerning the matter.

Inventory Impairment

As stated in note 10 to the financial statements of the Group, inventory balance as of December 31, 2022 was NIS 1,016 million after recognition of a provision for inventory impairment at an amount of NIS 11 million. In each period, the Company reviews inventory status based on actual and future utilization/use of the material, as well as on inventory age. According to this analysis, in each period the Company revises the provision for impairment in respect of slow-moving and obsolete inventory.

Group management is required to exercise judgment that involves assessments and estimates when recording a provision for inventory impairment and measuring it as the lower of cost or net realizable value, based on the most recent selling price and future market conditions that will affect the sale of the inventory.

Due to the complexity of the matter and its materiality in the financial statements, we identified this as a key audit matter.

Audit Procedures Implemented in Response to the Key Audit Matter

Following are the main procedures implemented with respect to this KAM in our audit:

- Assessment of the accuracy of the analysis of inventory aging and evaluation of management's judgment regarding the amount of the provision for inventory impairment.
- Interviews with management.
- On a test basis, examination of the calculation of the value of inventory in the Company's financial systems.
- Observance of the Company's inventory counts, on a test basis, including a review of the presence and integrity of items, on a test basis.

We have also audited, in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "Audit of Internal Control over Financial Reporting", the Company's components of internal control over financial reporting as of December 31, 2022, and our report dated March 21, 2023 includes an unqualified opinion regarding the effective maintenance of those components.

Haifa,

March 21, 2023

Kost Forer Gabbay & Kasierer

Certified Public Accountants

Consolidated Statements of Financial Position

	Note	December 31 2022	December 31 2021
		NIS thousands	
Current assets			
Cash and cash equivalents	6	120,891	237,779
Short-term investments	7	17,617	19,620
Trade receivables, net	8	187,504	115,917
Other accounts receivable	9	64,295	79,502
Inventory	10	1,016,098	529,705
		1,406,405	982,523
Non-current assets			
Long-term receivables	11	1,751	1,708
Fixed assets, net	12	200,312	151,308
Right-of-use assets, net	13	144,395	108,808
Intangible assets, net	14	297,453	164,475
Deferred taxes, net	20D	41,298	27,274
		685,209	453,573
		2,091,614	1,436,096

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

Consolidated Statements of Financial Position

	Note	December 31 2022	December 31 2021
		NIS thousands	
Current liabilities			
Credit from banks	15	477,422	282,766
Current maturities of lease liabilities	13	26,910	20,394
Current maturities of deferred liability in respect of acquired subsidiary	5	25,882	15,462
Trade payables	16	240,094	222,574
Income tax payable	20	3,476	5,899
Other accounts payable	17	161,438	119,544
Provisions	25	20,171	15,431
		955,393	682,070
Non-current liabilities			
Loans from banks	18	248,157	62,671
Lease liabilities	13	124,151	92,373
Contingent liability in respect of acquired subsidiary	5	13,112	-
Employee benefit liabilities, net	19	4,259	4,448
Other liabilities	22	5,786	6,983
Deferred taxes	20D	1,502	1,875
		396,967	168,350
Equity attributable to equity holders of the Company	23		
Share capital		11,229	11,210
Share premium		115,472	113,071
Treasury shares		(500)	(500)
Retained earnings		555,179	461,893
Capital reserve from share-based payment transactions		20,613	11,703
Capital reserve from transactions with controlling shareholders		164	164
Capital reserve from remeasurement of defined benefit plans		388	(1,654)
Revaluation surplus		2,147	2,147
Capital reserve from transactions with non-controlling interests		(6,895)	(6,895)
Adjustments arising from translation of financial statements of foreign operations		(23,720)	(44,081)
		674,077	547,058
Non-controlling interests		65,177	38,618
Total equity		739,254	585,676
		2,091,614	1,436,096

March 21, 2023			
Date of approval of the financial statements	Yonatan Bassi Chairman of the Board	Sharon Goldenberg Chief Executive Officer	Meni Maymon Chief Financial Officer

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

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Note	For the year ended December 31		
		2022	2021	2020
		NIS thousands		
Revenue from sales	27A	1,786,896	1,409,395	1,076,880
Cost of sales	27B	1,068,587	816,132	625,532
Gross profit		718,309	593,263	451,348
Research and development expenses	27C	52,641	46,582	32,436
Selling and marketing expenses	27D	238,088	155,408	121,367
General and administrative expenses	27E	134,919	113,553	89,330
Operating income		292,661	277,720	208,215
Other income (expenses), net		29	(114)	(2)
Finance income	27F	15,689	34,384	467
Finance expenses	27G	(44,644)	(30,156)	(13,881)
Income before taxes		263,735	281,834	194,799
Taxes on income	20	35,986	41,580	26,351
Net income		227,749	240,254	168,448
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		23,908	(21,276)	(6,763)
Amounts that will not subsequently be reclassified to profit or loss:				
Remeasurement gain (loss) from defined benefit plans		2,042	327	(444)
Total other comprehensive income (loss)		25,950	(20,949)	(7,207)
Total comprehensive income		253,699	219,305	161,241
Net income attributable to:				
Equity holders of the Company		218,296	224,012	154,280
Non-controlling interests		9,453	16,242	14,168
		227,749	240,254	168,448
Total comprehensive income attributable to:				
Equity holders of the Company		240,669	207,227	146,960
Non-controlling interests		13,000	12,078	14,281
		253,699	219,305	161,241

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

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Note	For the year ended December 31		
		2022	2021	2020
		NIS		
Net earnings per share (basic and diluted) attributable to equity holders of the Company (in NIS)	28			
Basic net earnings per share		2.00	2.05	1.43
Diluted net earnings per share		1.99	2.04	1.41

The accompanying notes are an integral part of the 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 re-measurement of defined benefit plans	Revaluation surplus	Capital reserve from transactions with non-controlling interests	Total	Non-controlling interests	Total equity
	NIS thousands												
Balance as of January 1, 2022	11,210	113,071	(500)	461,893	11,703	164	(44,081)	(1,654)	2,147	(6,895)	547,058	38,618	585,676
Net income	-	-	-	218,296	-	-	-	-	-	-	218,296	9,453	227,749
Other comprehensive income - adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	-	20,361	-	-	-	20,361	3,547	23,908
Income from remeasurement of defined benefit plans	-	-	-	-	-	-	-	2,042	-	-	2,042	-	2,042
Total other comprehensive income	-	-	-	-	-	-	20,361	2,042	-	-	22,403	3,547	25,950
Total comprehensive income	-	-	-	218,296	-	-	20,361	2,042	-	-	240,699	13,000	253,699
Exercise of share options	19	2,401	-	-	(2,401)	-	-	-	-	-	19	-	19
Dividend paid	-	-	-	(125,010)	-	-	-	-	-	-	(125,010)	-	(125,010)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(4,100)	(4,100)
Acquisition of non-controlling interest occurring on first-time consolidation	-	-	-	-	-	-	-	-	-	-	-	17,659	17,659
Cost of share-based payment	-	-	-	-	11,311	-	-	-	-	-	11,311	-	11,311
Balance as of December 31, 2022	11,229	115,472	(500)	555,179	20,613	164	(23,720)	388	2,147	(6,895)	674,077	65,177	739,254

The accompanying notes are an integral part of the 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 re-measurement of defined benefit plans	Revaluation surplus	Capital reserve from transactions with non-controlling interests	Total	Non-controlling interests	Total equity
	NIS thousands												
Balance as of January 1, 2021	11,116	108,007	(500)	357,963	8,440	164	(26,969)	(1,981)	2,147	(6,895)	451,492	31,689	483,181
Net income	-	-	-	224,012	-	-	-	-	-	-	224,012	16,242	240,254
Other comprehensive income (loss) - adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	-	(17,112)	-	-	-	(17,112)	(4,164)	(21,276)
Income from remeasurement of defined benefit plans	-	-	-	-	-	-	-	327	-	-	327	-	327
Total other comprehensive income (loss)	-	-	-	-	-	-	(17,112)	327	-	-	(16,785)	(4,164)	(20,949)
Total comprehensive income (loss)	-	-	-	224,012	-	-	(17,112)	327	-	-	207,227	12,078	219,305
Exercise of share options	94	5,064	-	-	(5,064)	-	-	-	-	-	94	-	94
Dividend paid	-	-	-	(120,082)	-	-	-	-	-	-	(120,082)	-	(120,082)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(5,149)	(5,149)
Cost of share-based payment	-	-	-	-	8,327	-	-	-	-	-	8,327	-	8,327
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 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
	NIS thousands												
Balance as of January 1, 2020	11,052	102,891	(500)	286,683	9,206	164	(20,093)	(1,537)	2,147	(6,895)	383,118	20,278	403,396
Net income	-	-	-	154,280	-	-	-	-	-	-	154,280	14,168	168,448
Other comprehensive income (loss) - adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	-	(6,876)	-	-	-	(6,876)	113	(6,763)
Loss from remeasurement of defined benefit plans	-	-	-	-	-	-	-	(444)	-	-	(444)	-	(444)
Total other comprehensive income (loss)	-	-	-	-	-	-	(6,876)	(444)	-	-	(7,320)	113	(7,207)
Total comprehensive income (loss)	-	-	-	154,280	-	-	(6,876)	(444)	-	-	146,960	14,281	161,241
Exercise of share options	64	5,116	-	-	(5,116)	-	-	-	-	-	64	-	64
Dividend paid	-	-	-	(83,000)	-	-	-	-	-	-	(83,000)	-	(83,000)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(2,870)	(2,870)
Cost of share-based payment	-	-	-	-	4,350	-	-	-	-	-	4,350	-	4,350
Balance as of December 31, 2020	11,116	108,007	(500)	357,963	8,440	164	(26,969)	(1,981)	2,147	(6,895)	451,492	31,689	483,181

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

Consolidated Statements of Cash Flows

	For the year ended December 31		
	2022	2021	2020
	NIS thousands		
Cash flow from operating activities			
Net income	227,749	240,254	168,448
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Adjustments to profit or loss items:			
Taxes on income	57,931	47,043	35,234
Deferred taxes, net	(13,499)	(3,329)	(8,839)
Finance expenses, net	18,105	7,049	5,985
Depreciation and amortization	69,678	56,211	46,790
Cost of share-based payment	11,311	8,327	4,350
Revaluation of options to Kibbutz members	(2,068)	(582)	1,501
Increase in employee benefits liabilities, net	1,853	246	277
Interest accrued on long-term deposit and exchange differences on investments	(188)	(947)	(308)
Capital loss (gain) from sale of fixed assets, net	391	(139)	(41)
Revaluation of securities measured at fair value through profit or loss, net	1,962	(1,006)	302
Changes in fair value of derivatives, net	47,185	(23,133)	2,107
Exchange differences from cash and cash equivalents	(6,098)	8,656	1,127
	186,563	98,396	88,485
Changes in assets and liabilities items:			
Decrease (increase) in trade receivables, net	(55,189)	(41,111)	1,733
Decrease (increase) in other accounts receivable (including long-term)	7,793	(20,459)	(12,935)
Increase in inventory	(360,183)	(216,265)	(28,452)
Increase (decrease) in trade payables	(*) (166,597)	90,691	36,186
Increase in other accounts payable, provisions and taxes payable	15,099	33,801	30,825
Increase in other liabilities	4,052	630	1,920
	(555,025)	(152,713)	29,277
Cash paid and received during the year in respect of:			
Interest and dividends received	459	468	454
Interest paid	(18,564)	(7,517)	(6,439)
Taxes paid (**)	(57,931)	(47,043)	(35,234)
	(76,036)	(54,092)	(41,219)
Net cash provided by (used in) operating activities	(216,749)	131,845	244,991

(*) The decrease in trade payables is largely attributed to the first-time consolidation of ECCXI, the business combination date being July 28, 2022 (see Note 5).
(**) Taxes paid include payment of tax on the release of trapped earnings (see Note 20A).

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

Consolidated Statements of Cash Flows

	For the year ended December 31		
	2022	2021	2020
	NIS thousands		
Cash flows from investing activities			
Purchase and capitalization of intangible assets	(59,059)	(39,613)	(33,857)
Purchase of fixed assets	(58,311)	(52,941)	(35,245)
Proceeds from sale of fixed assets	204	266	179
Acquisition of first-time consolidated subsidiary (B)	3,029	-	2,411
Repayment of deferred liability in respect of acquired subsidiary	(16,538)	(15,962)	(11,821)
Proceeds from sale (purchase) of securities measured at fair value through profit or loss, net	41	(311)	(387)
Net cash used in investing activities	(130,634)	(108,561)	(78,720)
Cash flows from financing activities			
Proceeds from exercise of options	19	94	64
Short-term credit, net	145,944	147,709	25,644
Receipt of long-term loan	270,000	32,030	80,000
Repayment of long-term loan	(46,146)	(24,208)	(15,031)
Dividend paid to equity holders of the Company	(125,010)	(120,082)	(83,000)
Dividend paid to non-controlling interests	(4,100)	(5,149)	(2,870)
Repayment of lease liabilities	(23,303)	(19,192)	(16,830)
Net cash provided by (used in) financing activities	217,404	11,202	(12,023)
Exchange differences on cash and cash equivalents	6,098	(8,656)	(1,127)
Translation differences from cash balances of foreign operations	6,993	(14,568)	(5,152)
Increase (decrease) in cash and cash equivalents	(116,888)	11,262	147,969
Cash and cash equivalents at beginning of year	237,779	226,517	78,548
Cash and cash equivalents at end of year	120,891	237,779	226,517

	For the year ended December 31		
	2022	2021	2020
	NIS thousands		
(A) Significant non-cash transactions			
Purchase of fixed assets and intangible assets on credit	18,059	12,161	3,723
Recognition of right-of-use asset against lease liability	59,962	35,299	23,913
Acquisition of shares of consolidated company	-	-	34,176
Deferred liability in respect of acquired subsidiary	24,751	-	-

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

Consolidated Statements of Cash Flows

		For the year ended December 31		
		2022	2021	2020
		NIS thousands		
(B)	Acquisition of first-time consolidated subsidiary			
	Working capital (excluding cash and cash equivalents)	32,427	-	(5,491)
	Long-term accounts receivable	-	-	(101)
	Fixed assets	(769)	-	(233)
	Right-of-use assets	(6,896)	-	-
	Intangible assets	(47,705)	-	(15,492)
	Goodwill	(36,229)	-	(28,919)
	Lease liability	7,000	-	-
	Deferred liability	24,751	-	44,710
	Contingent consideration	12,791	-	-
	Loans from others	-	-	3,883
	Deferred taxes	-	-	4,054
	Non-controlling interests	17,659	-	-
		3,029	-	2,411

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

Note 1 - General

A. Maytronics Ltd. and its investee companies are engaged in the development, manufacturing and marketing of robotic cleaners for private and public pools, private pool alarms, drowning detection systems for private and public pools, and covers for private swimming pools.

B. On July 2, 2007, the Company formed Maytronics US Inc. in the United States (hereinafter: "MTUS" or the "Consolidated Company in the US"). The consolidated company markets the Company's products in the United States, and provides service for private and public pool robots.

C. In early 2009 the Company acquired control of MG International SA (hereinafter: "MTFR" or the "Consolidated Company in France"), a French company whose shares are listed on the Alternext stock exchange in Europe. MTFR markets the Company's products, manufactures pool covers, and provides service for all of its products, including private and public pool robots, mostly for the French market. As of December 31, 2022, the Company holds 73% of MTFR's issued and paid-up share capital, and 82.45% of its voting rights.

D. In 2011 the Company formed Maytronics Australia Pty Ltd (hereinafter: "MTAU" or the "Consolidated Company in Australia"), jointly with senior executives. MTAU markets the Company's products mainly in Australia and New Zealand, and provides service for private and public pool robots. As of December 31, 2022, the Company holds 61.2% of MTAU's issued and paid-up share capital.

E. In June 2020, the Company acquired all shares of Bunger & Frese GmbH (hereinafter: "BF" or the "Consolidated Company in Germany"). BF is a distributor for the Company in the German market, which specializes in sales to pool builders and in e-commerce sales, and is engaged in two main fields of business: sales of robotic pool cleaners and sales of a wide variety of pool equipment.

F. In November 2020, the Company completed the formation of a wholly owned subsidiary, Maytronics Spain and Portugal S.L. (hereinafter: "MTSP" or the "Consolidated Company in Spain"), which, since 2021, is engaged in marketing and sales promotion in the Spain and Portugal territory and in the provision of technical support services to the Company's distributors and dealers.

G. In July 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 that mainly owns Backyard Pool Superstore, LLC, a private company that specializes in eCommerce in the pool business, as well as three other corporations.

H. Impacts of the COVID-19 pandemic

In March 2020, the World Health Organization declared COVID-19, initially detected in China, a global pandemic. Various authorities around the world began implementing measures to contain the spread of the virus, including, inter alia, restrictions on the movement of people.

Note 1 - General (cont'd)

H. Impacts of the COVID-19 pandemic (cont'd)

During the pandemic, the Company experienced substantial changes in the availability and costs of raw materials and certain compenents used in the manufacture of robots – mainly electronic compoenents and plastic raw materials. Additionally, during COVID-19, sea and air shipping rates rose considerably. In 2022, the availability of plastics improved, and the rising cost of raw materials tapered off somewhat. Furthermore, most of the restrictions on movement and gatherings were lifted, both locally and internationally, allowing for physical visits to customers, technical seminars and participation in trade fairs. The Company maintains a high level of awareness concerning possible risks and opportunities.

I. Increase in yields on high-quality CPI-linked corporate bonds

In 2022, yields rose on high-quality CPI-linked corporate bonds that determine the discount rate for defined benefit obligations and other long-term, shekel-denominated benefit obligations.

The effect of the change in the discount rate is as follows:
A decrease in defined benefit plan obligations and a decrease in deferred taxes as of December 31, 2022 compared to December 31, 2021, amounting to NIS 2,185 thousand and NIS 164 thousand, respectively, which were recognized against other comprehensive income for the year ended December 31, 2022.

J. Effects of inflation and rising interest rates

As a result of global macroeconomic developments in 2022, inflation rose in Israel and worldwide. As part of the measures applied to curb price hikes, central banks around the world, including the Bank of Israel, began to raise interest rates, leading to higher borrowing costs on the Company's loans and current line of credit.

K. Definitions

In these financial statements:

The Company	-	Maytronics Ltd.
The Group	-	Maytronics Ltd. and its investee companies.
Consolidated Companies	-	Companies controlled by the Company ("control" as defined in IFRS 10), whose financial statements are consolidated with the financial statements of the Company.
Controlling Shareholders and Interested Parties	-	As defined in the Securities Regulations (Annual Financial Statements), 2010.
Related Parties	-	As defined in IAS 24.

L. The Group's activities are characterized by seasonality. Most of the Group's sales and profits are generated in the first two quarters of the year.

Note 2 - Significant Accounting Policies

The accounting policy described below was consistently applied in the financial statements, throughout all periods presented, unless specified otherwise.

A. Basis of presentation

The financial statements were prepared in accordance with International Financial Reporting Standards (IFRS).
In addition, the financial statements were prepared in accordance with the provisions of the Securities Regulations (Annual Financial Statements), 2010.
The Company's financial statements were prepared on a cost basis, except for financial assets and liabilities which are presented at fair value through profit or loss, provisions, and assets and obligations in respect of employee benefits.

The Company has elected to present components of profit or loss according to the function of expense method.

B. Operating cycle

The Group's operating cycle is one year.

C. Consolidated financial statements

The consolidated financial statements include the financial statements of companies controlled by the Company (subsidiaries). Control exists when the Company has power over the investee, exposure or rights to variable returns from involvement with the investee, and the ability to use its power to influence the amount of the returns arising from the investee. The assessment of control includes considering the effect of potential voting rights only if they are substantive (i.e., the holder has the practical ability to exercise the rights). Financial statements are consolidated from the date on which control is acquired until the date on which contol no longer exists.

The financial statements of the Company and its subsidiaries are prepared for the same dates and periods. The accounting policy in the subsidiaries' financial statements was applied consistently and uniformly with the policy which was applied in the Company's financial statements. Material intercompany balances and transactions and profit and loss arising from transactions between the Company and its subsidiaries were fully eliminated in the consolidated financial statements.

Non-controlling interests in respect of subsidiaries represent the equity of the subsidiaries which is not attributable, directly or indirectly, to the parent company. Non-controlling interests are presented separately under the Company's equity. Profit or loss and any component of other comprehensive income are attributed to the Company and to non-controlling interests. Losses are attributed to non-controlling interests even if this results in a negative balance of non-controlling interests in the consolidated statement of financial position.

Changes in the ownership interest in a subsidiary which do not lead to loss of control are recognized as a change in equity by adjusting the balance of non-controlling interests against the equity attributed to the Company's shareholders, less/plus the consideration which was paid or received.

Note 2 - Significant Accounting Policies (cont'd)

C. Consolidated financial statements (cont'd)

On the disposal of a subsidiary with loss of control, the Company:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary.
- Derecognizes any non-controlling interest in the lost subsidiary.
- Derecognizes adjustments arising from the translation of financial statements that were recognized in equity.
- Recognizes the fair value of the proceeds of the sale.
- Recognizes the fair value of any remaining investment.
- Reclassifies the components previously recognized in other comprehensive income (loss), in the same manner as would have been necessary had the subsidiary directly disposed of the related assets and liabilities.
- Recognizes any resulting difference as a gain or loss in income attributable to the parent.

D. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The acquisition cost is measured according to the fair value of the consideration transferred on the acquisition date, plus non-controlling interests in the acquiree. In any business combination, the Company chooses whether to measure non-controlling interests in the acquiree at their fair value on the acquisition date, or at their proportionate share of the fair value of the acquiree's net identifiable assets.

Direct acquisition costs are carried to the statement of income when incurred.
Contingent consideration is recognized at fair value on the acquisition date. Contingent consideration is classified as a financial asset or liability in accordance with IFRS 9. Subsequent changes in the fair value of the contingent consideration are recognized in the statement of income or in the statement of other comprehensive income.

Goodwill is initially measured at cost, which is the difference between the consideration transferred and any non-controlling interests, and the net amount of the identifiable assets acquired and the liabilities assumed. If the resulting amount of goodwill is negative, the buyer recognizes the resulting profit on the acquisition date.

E. Functional currency, presentation currency and foreign currency

1. Functional currency and presentation currency

The presentation currency of the financial statements is the NIS.

The Group determines the functional currency for each company in the Group, and uses that currency to measure each company's financial position and operating results separately.

The Company's functional currency is the NIS.
The functional currency of the subsidiary in the United States is the USD. The functional currency of the subsidiary in France is the EUR. The functional currency of the subsidiary in Australia is the AUD. The functional currency of the subsidiary in Germany is the EUR. The functional currency of the subsidiary in Spain is the EUR.

Note 2 - Significant Accounting Policies (cont'd)

E. Functional currency, presentation currency and foreign currency (cont'd)

1. Functional currency and presentation currency (cont'd)

Assets and liabilities of an investee that is a foreign operation, including excess costs incurred, are translated at the closing rate on each reporting date. Statement of income items are translated at the average exchange rates in all periods presented. Any resulting translation differences are recognized in other comprehensive income (loss).

On disposal of a foreign operation or on partial disposal of a foreign operation involving loss of control, the accumulated profit (loss) attributable to that operation, which was recognized in other comprehensive income, is carried to profit or loss. On the partial disposal of a foreign operation while retaining control of the consolidated company, a proportionate share of the amount that was recognized in other comprehensive income is re-attributed to non-controlling interests.

2. Transactions, assets and liabilities in foreign currency

Transactions denominated in foreign currency are recorded upon initial recognition according to the exchange rate on the transaction date. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated to the functional currency on each reporting date, at the exchange rate on that date. Exchange differences, excluding those capitalized to qualifying assets or carried to equity in hedging transactions, are accounted for in profit or loss. Non-monetary assets and liabilities denominated in foreign currency which are presented at cost are translated according to the exchange rate on the transaction date. Non-monetary assets and liabilities denominated in foreign currency which are presented at fair value are translated to the functional currency according to the exchange rate on the date when fair value was determined.

3. CPI-linked monetary items

Monetary assets and liabilities which are linked, in accordance with their terms, to changes in the consumer price index in Israel (hereinafter: the "CPI"), are adjusted according to the relevant CPI, on each reporting date, in accordance with the terms of the agreement.

F. Cash equivalents

Cash equivalents are considered highly liquid investments and include unencumbered short-term bank deposits, whose original period is not more than three months from the investment date, or is more three months but which may be be withdrawn immediately with no penalty.

G. Short-term investments

Short-term investments include investments in marketable securities, which are presented at fair value.

Note 2 - Significant Accounting Policies (cont'd)

H. Inventory

Inventory is measured at the lower of cost or net realizable value. The cost of inventory includes the costs of purchase and costs incurred in bringing inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and costs required to make the sale. The Company periodically evaluates the inventory status, mostly based on current and future use of the material and based on its age, and makes provisions for slow and dead inventory accordingly.

The cost of inventory is determined as follows:

Raw and auxiliary materials	- According to the weighted average method.
Goods in process and finished goods	- Based on the average cost, including materials, labor and other direct and indirect manufacturing costs.

I. Revenue recognition

Revenue from contracts with customers is recognized in the statement of income when control of the asset or the service has been transferred to the customer. The transaction price is the amount of consideration which is expected to be received according to the contract terms, less amounts which have been collected for third parties (e.g., taxes).

When determining the amount of revenue from contracts with customers, the Company assesses whether it is acting as a principal or agent under the contract. The Company functions as a principal when it controls the good or service that was guaranteed prior to its transfer to the customer. In such cases, the Company recognizes revenue at the gross amount of consideration. In cases where the Company functions as an agent, the Company recognizes revenue at the net amount after after deducting the amount owed to the principal supplier.

Revenue from the sale of goods

Revenue from the sale of goods is recognized in the statement of income at the point in time when control of the goods being sold is transferred to the customer. Control is generally transferred on the date of delivery.

Revenue which includes warranty services

As part of its contracts, the Company provides warranty services to its customers, in accordance with provisions of law or in line with standard industry practice. In most of the Company's contracts, warranty services are provided to guarantee the quality of the work and not as an additional service to the customer. Accordingly, the warranty does not constitute a separate performance obligation, and the Company therefore recognizes a provision for the warranty in its financial statements in accordance with the guidance in IAS 37.

Note 2 - Significant Accounting Policies (cont'd)

J. Government grants

Government grants are recognized when there is reasonable assurance that the grants will be received, and that the Company will meet all conditions for the receipt of the grant.
Government grants received from the Chief Scientist in Israel are recognized on the date of their receipt as a liability, if there is reasonable assurance that research activities will lead to sales entitling the government to royalties.
The liability is initially recognized at fair value and discounted at the market interest rate. The difference between the amount of the grant that was received and the fair value of the liability is accounted for as a government grant and is offset from research and development expenses. After initial recognition, the liability is measured at amortized cost using the effective interest method. Amounts paid as royalties are recognized as settlement of the liability. When such economic benefits are not expected to arise as a result of research, the grant funds received are recognized as a decrease in associated research and development expenses. In such case, the royalty liability is accounted for as a contingent liability, in accordance with IAS 37.

On each reporting date, the Company assesses whether there is reasonable assurance that all or part of the liability that was recognized will not be settled (since the Company will not be required to pay royalties) based on the best estimate of future sales using the original effective interest rate, and if so, the appropriate liability is derecognized against a decrease in research and development expenses.

Amounts paid as royalties are recognized as settlement of the liability.

K. Taxes on income

Tax consequences in respect of current or deferred taxes are accounted for in the statement of income, other than if they are attributable to components which are accounted for in other comprehensive income or in equity.

1. Current taxes

The current tax liability is determined using the tax rates and tax laws which were enacted, or substantially enacted, until the reporting date, as well as adjustments required in connection with the tax liability which is due in respect of prior years.

2. Deferred taxes

Deferred taxes are calculated in respect of temporary differences between the amounts included in the financial statements and the amounts that are taken into account for tax purposes.
Deferred tax balances are measured at the tax rate that is expected to apply when the asset is realized or the liability is settled, based on the tax laws which have been enacted, or substantially enacted, until the reporting date.
Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that they will be utilized. Temporary differences in which respect deferred tax assets were not recognized are reviewed at each reporting date, and if it is probable that they will be utilized, a corresponding deferred tax asset is recognized.

Note 2 - Significant Accounting Policies (cont'd)

K. Taxes on income (con't)

2. Deferred taxes (con't)

The calculation of deferred taxes does not include taxes that would apply upon the realization of investments in investees, for as long as the sale of the investment is not expected in the foreseeable future. Furthermore, deferred taxes in respect of the distribution of profits by investees as dividends were not taken into account, since the dividend distribution does not involve additional tax liability or due to the Company's policy of not initiating dividend distributions by consolidated companies that would result in additional tax liability.

Deferred taxes are offset if there is a legal right to offset current tax assets liabilities, and the deferred taxes relate to the same assessee company and the same tax authority.

L. Leases

The Company accounts for the contract as a lease when, according to the contract terms, the right to control an identifiable asset for a period of time in exchange for consideration is conveyed.

1. The Group as lessee

For transactions in which the Company is the lessee, at the commencement date it recognizes a right-of-use asset against a lease liability, except for transactions for a period of up to 12 months and transactions in which the underlying asset is of low value, where the Company has elected to recognize the lease payments as an expense in profit or loss on a straight-line basis over the lease term.
At the commencement date, the lease liability includes all of the unpaid lease payments, discounted by the interest rate implicit in the lease when it can be readily determined, or by the Company's incremental borrowing rate. After the commencement date, the Company measures the lease liability using the effective interest method.

The right-of-use asset at the commencement date is recognized at the amount of the lease liability plus lease payments which were paid on or before the commencement date, plus transaction costs incurred.
The right-of-use asset is measured applying the cost model and is depreciated over the shorter of its useful life or the lease period.

Following is information on the number of years of depreciation of the relevant right-of use assets according to right-of-use asset groups:

	No. of years	Mainly
Property	2-15	9
Vehicles	2-5	3
Computers and peripheral equipment	3-5	5

When there are signs of impairment, the Company reviews the impairment of a right-of-use asset according to the guidance in IAS 36.

Note 2 - Significant Accounting Policies (cont'd)

L. Leases (cont'd)

2. CPI-linked lease payments

At the commencement date, the Company uses the CPI rate on said date to calculate the future lease payments.

In transactions where the Company is a lessee, changes in the amount of the future lease payments due to changes in the CPI are discounted (with no change to the discount rate applying to the lease liability) to the remaining balance of the right-of-use asset and recognized as an adjustment to the remaining balance of the lease liability only when a change has occurred in cash flows arising from the change in the CPI (i.e., on the date when the adjustment to the lease payments enters into effect).

3. Options to extend or terminate a lease

The non-cancellable lease term also includes periods covered by an option to extend the lease when it is reasonably certain that the option will be realized, as well as periods covered by an option to terminate the lease when it is reasonably certain that the option will not be exercised.

Where there is a change in expectations regarding the exercise of an extention option or non-exercise of a termination option, the Company remeasures the remaining balance of the lease liability according to the revised lease term using the current discount rate on the date of the change in expectations, and the amount of the change is carried to the remaining balance of the right-of-use asset until it is zeroed out, and beyond that amount – to profit or loss.

4. Lease amendments

When an amendment is made to the lease terms which does not reduce the scope of the lease and is not accounted for as a separate lease transaction, the Company remeasures the remaining balance of the lease liability according to the amended lease terms using the current discount rate on the date of the amendment, and carries the amount of the change in the remaining balance of the lease liability to the remaining balance of the right-of-use asset.

When an amendment is made to the lease terms which results in a decrease in the scope of the lease, the Company recognizes the profit or loss arising from the partial or full derecognition of the remaining balance of the right-of-use asset and lease liability. Subsequently, the Company remeasures the remaining balance of the lease liability according to the amended lease terms using the current discount rate on the date of the amendment, and carries the amount of the change in the remaining balance of the lease liability to the remaining balance of the right-of-use asset.

Note 2 - Significant Accounting Policies (cont'd)

M. Fixed assets

Fixed asset items are presented at cost plus direct acquisition costs, less accumulated depreciation, less accumulated impairment loss, and do not include routine maintenance expenses. The cost includes replacement parts and auxiliary equipment serving the fixed assets.

Depreciation is calculated at equal annual rates on a straight-line basis over the asset's useful life, as follows:

	%	Mainly %
Machines, equipment and molds	10-20	20
Vehicles	15	15
Furniture and office equipment	6-33	33
Leasehold improvements	See below	

Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term (including options to extend which are available to the Group, and which it intends to exercise) or the estimated life of the assets.

The useful life, depreciation method and residual value of each asset are reviewed at least at the end of each year, and changes are prospectively accounted for as changes in accounting estimates. Depreciation of assets is discontinued at the earlier of the date when the asset is classified as held for sale or the date when the asset is derecognized.

N. Intangible assets

Intangible assets which are purchased separately are measured upon initial recognition at cost plus direct acquisition costs. Intangible assets purchased in business combinations are measured at fair value on the acquisition date. Costs in respect of internally developed intangible assets, excluding discounted development costs, are carried to profit or loss when incurred.

Intangible assets with a finite useful life are amortized over their useful life on a straight-line basis and are tested for impairment when an indication of impairment exists. The amortization period and amortization method for intangible assets are reviewed at least at the end of each year.

Intangible assets with an indefinite useful life are not systematically amortized, and are tested for impairment annually and when an indication of possible impairment exists. The useful life of these assets is reviewed annually to determine whether the estimation of their life as indefinite still applies. If events and circumstances no longer support this estimate, the change of useful life from indefinite to finite is accounted for as a change in accounting estimate, and an impairment test is performed on the same date. From that date and thereafter, the asset is systematically amortized over its useful life.

Note 2 - Significant Accounting Policies (cont'd)

N. Intangible assets (cont'd)

Research and development costs

Research costs are recognized in profit or loss when incurred. Costs incurred in respect of a development project or in-house development are recognized as an intangible asset only if it is possible to demonstrate the technological feasibility of completing the intangible asset so that it will be available for use or sale; the Company's intention to complete the intangible asset and to use or sell the asset; the ability to use the intangible asset or sell it; the manner in which the intangible asset will create future economic benefits; the existence of sufficient resources: technical, financial, and others, to complete the intangible asset and the ability to reliably measure the expense required for its development.

The asset is measured at cost and presented net of accumulated amortization and net of accumulated impairment. An internally generated intangible asset includes the directly attributable costs of preparing the asset for its intended use. Amortization of the asset begins when development has been completed and the asset is available for use. The asset is amortized over its useful life. An impairment test is performed once per year and throughout the development period.

When an internally generated intangible asset cannot be recognized, development costs are recognized in profit or loss when incurred. Development costs which were previously recognized as an expense are not recognized as an asset in subsequent periods.

Software programs

The Group's assets include computer systems which comprise hardware and software components. Software programs constituting an integral part of hardware that cannot function without the installed software are classified as fixed assets. However, standalone software licenses adding further functionality to hardware are classified as intangible assets.

The useful life of intangible assets is as follows:

	Years
Development costs	5-7
Computer software	3
Technology, customer relations and brands	7-14

Note 2 - Significant Accounting Policies (cont'd)

O. Impairment of non-financial assets

The Company assesses the need for impairment of non-financial assets when, due to occurrences or changes in circumstances, there are indications that the carrying amount in the financial statements is non-recoverable. In cases where the carrying amount of non-financial assets exceeds their recoverable amount, the assets are amortized to their recoverable amount. The recoverable amount of an asset is the greater of its fair value less selling expenses and its value-in-use. In estimating value-in-use, projected cash flows are discounted at a pre-tax discount rate that reflects the specific risks of each asset. For assets that do not generate independent cash flows, a recoverable amount is determined for the cash-generating unit to which the asset is attributed. Impairment loss is recognized in profit or loss.

Impairment loss of an asset, excluding goodwill, is only reversed when changes have occurred in the estimates used to determine the asset's recoverable amount, from the date when the impairment loss was last recognized. Reversal of the impairment loss is limited to the lower of the impairment loss that was recognized in prior years (net of depreciation or amortization) or the asset's recoverable amount. For assets measured at cost, the reversal of loss described above is recognized in profit or loss.

The following unique criteria are applied when testing the following specific assets for impairment:

Goodwill in respect of consolidated companies

The Company tests for impairment of goodwill once yearly on December 31, or more frequently if occurrences or changes in circumstances indicate that impairment exists. The test for impairment of goodwill is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill has been allocated. When the recoverable amount of the cash-generating unit (or group of cash-generating units) is lower than the carrying amount in the financial statements of the cash-generating unit (or group of cash-generating units) to which the goodwill has been allocated an impairment loss is recognized, which is initially attributed to goodwill. Goodwill impairment losses are not reversed in subsequent periods.

P. Financial instruments

1. Financial assets

Financial assets are measured on the date of initial recognition at fair value plus transaction costs which are directly attributable to the acquisition of the financial asset, except for the case of a financial asset which is measured at fair value through profit or loss, for which the transaction costs are recognized in profit or loss.

The Company classifies and measures debt instruments in its financial statements based on the following criteria:

(a) The Company's business model for the management of financial assets; and
(b) The financial asset's contractual cash flow characteristics.

Note 2 - Significant Accounting Policies (cont'd)

P. Financial instruments (cont'd)

1. Financial assets (cont'd)

1a) The Company measures debt instruments at amortized cost when:
The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the undischarge principal.
After initial recognition, instruments in this group are measured according to their terms at amortized cost using the effective interest method, less a provision for impairment.

1b) The Company measures debt instruments at fair value through profit or loss (FVTPL) when:
A financial asset that is a debt instrument does not meet the criteria for measurement at amortized cost or at fair value through other comprehensive income (FVTOCI). After initial recognition, these assets are measured at fair value, and gains or losses arising from fair value adjustments are recognized in profit or loss.

1c) Equity instruments and other financial assets held for trading:
Investments in equity instruments do not meet the foregoing criteria, and are therefore measured at fair value through profit or loss.
Other financial assets held for trading, including derivatives, are measured at fair value through profit or loss unless they are designated as effective hedging instruments.
Dividend income from investments in equity instruments is recognized on the effective date of entitlement to the dividend in the statement of income.

2. Impairment of financial assets

On each reporting date, the Company reviews the loss provision in respect of financial debt instruments which are not measured at fair value through profit or loss.
The Company has financial assets with short credit periods, such as trade receivables, in which respect it may apply the expedient in IFRS 9; i.e., the Company measures the loss provision at an amount equal to the expected credit losses throughout the entire life of the instrument. The Company has elected to apply the expedient in respect of these financial assets.

3. Financial liabilities

On the date of initial recognition, the Company measures financial liabilities which fall under the scope of the standard at fair value less transaction costs that are directly attributable to the issuance of the financial liability, other than in the case of financial liabilities measured at fair value through profit or loss, for which transaction costs are recognized in profit or loss.
After initial recognition, the Company measures all financial liabilities at amortized cost, except for financial liabilities at fair value through profit or loss, such as derivatives.

Note 2 - Significant Accounting Policies (cont'd)

P. Financial instruments (cont'd)

4. Derecognition of financial liabilities

The Company derecognizes a financial liability if and only if it is extinguished – i.e., when the obligation specified in the contract is discharged, canceled or expires.
A financial liability is extinguished when the debtor discharges the liability through payment in cash, other financial assets, goods or services, or is legally released from the liability.

5. Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position if there is a legally enforceable right to offset the amounts that were recognized, and there is an intention to settle the asset and liability on a net basis, or to realize the asset and settle the liability simultaneously. The right to offset must be legally enforceable not only in the ordinary course of business of the parties to the agreement, but also in the case of bankruptcy or insolvency of one of the parties. For the right to offset to exist immediately it must not be contingent on a future event and there must not be any periods of time in which it will not apply, or any events which would cause it to expire.

Q. Treasury shares

Share of the Company which are held by the Company and/or by consolidated companies are measured at their purchase cost and presented after being offset from the Company's capital. Any profit or loss arising from the purchase, sale, issuance or cancellation of treasury shares is carried directly to equity.

R. Provisions

A provision in accordance with IAS 37 is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of economic resources will be required to settle the obligation and when it can be estimated reliably. When the Group expects all or part of the expense to be reimbursed to the Company, such as in an insurance contract, the reimbursement will be recognized as a separate asset, only on the date when receipt of the asset is in fact certain. The expense will be recognized in the statement of income after deducting the reimbursement.

The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The best estimate of the expenditure required to settle the present obligation is the amount that the Company would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that time. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities. Where a single obligation is being measured, the individual most likely outcome may be the best estimate of the provision.

Following are the types of provisions which were included in the financial statements:

Note 2 - Significant Accounting Policies (cont'd)

R. Provisions (cont'd)

Warranty
The Group recognizes a warranty provision in respect of the sale of its products. Initial recognition is based on past experience. The estimate of the warranty provision is reviewed each year. The warranty is limited to technical malfunctions defined by the Company, and does not include a warranty for damage caused by the customer.

Legal claims
A provision for claims is recognized when the Group has a present legal obligation or a constructive obligation as a result of a past event, when it is more likely than not that an outflow of economic resources will be required to settle the obligation and it can be estimated reliably.

S. Liabilities in respect of employee benefits

The Group has several types of employee benefits:

1. Short-term employee benefits
Short-term employee benefits are benefits which are expected to be settled wholly before 12 months after the end of the annual reporting period during which the applicable employee services were rendered. These benefits include salaries, leave days, sick days, convalescence days and employers National Insurance contributions, and are recognized as an expense when the services are rendered. The liability for short-term employee benefits presented in the statement of financial position represents the undiscounted amount of the liability.
Liabilities in respect of cash bonuses or profit-sharing plans are recognized when the Group has a legal or constructive obligation to pay the amount in question in respect of a service rendered by the employee in the past, and when the amount can be estimated reliably.

2. Post-employment benefits
The plans are generally funded by contributions to insurance companies and are classified as defined contribution plans and as defined benefit plans.

a. Defined contribution plans
The Group has defined contribution plans in accordance with section 14 of the Severance Pay Law, under which the Group pays fixed contributions into a fund but has no legal or constructive obligation to make further payments, even if the fund does not have sufficient assets to pay all of the employees' entitlements to post-employment benefits in respect of their services during the current period and in prior periods.
Contributions to defined contribution plans for severance pay or retirement benefits are recognized as an expense when the services rendered by the employee are received. Where the contributions are not expected to be wholly settled before twelve months after the end of the annual reporting period in which the employees render the related service, the Group recognizes these obligations at their present value, according to interest rates referring to market yields on the reporting date on high-quality CPI-linked corporate bonds with a similar maturity date.

Note 2 - Significant Accounting Policies (cont'd)

S. Liabilities in respect of employee benefits (cont'd)

2. Post-employment benefits (cont'd)

b. Defined benefit plan

The Group has a defined benefit plan for the payment of severance pay, in accordance with the Severance Pay Law. By law, employees are entitled to severance pay upon termination or resignation. The liability for employee severance pay is measured according to an actuarial valuation using the "projected unit credit method". The actuarial valuation takes into account future salary costs and the employee departure rate, based on the estimated timing of the payment. The amounts are presented after discounting projected future cash flows at interest rates as per the yield on the reporting date of high-quality CPI-linked corporate bonds, with similar maturity dates to the applicable liability period for severance pay.

The Company routinely pays funds in respect of its severance pay obligations for some of its employees into pension funds and insurance companies (hereinafter: the "Plan Assets"). The Plan Assets are assets which are held by a long-term employee benefit fund or qualifying insurance policies. The Plan Assets are not available for use by the Group's creditors, and cannot be directly paid to the Group.

The liability for employee benefits presented in the statement of financial position represents the present amount of the defined benefit liability, net of the fair value of the Plan Assets. Remeasurements of the net liability are carried to other comprehensive income as incurred.

T. Borrowing costs

The Company capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to prepare for its intended use or sale. Borrowing costs include interest and other costs that an entity incurs in connection with the borrowing of funds. The Company begins to capitalize borrowing costs as part of the cost of a qualifying asset on the date when all of the following conditions are met: it incurs expenditures for the asset; it incurs borrowing costs; and it undertakes activities that are necessary to prepare the asset for its intended use or sale.

The amount of borrowing costs capitalized during the reporting period includes the costs of non-specific borrowings, capitalized by applying a weighted capitalization rate. Other borrowing costs are recognized within finance expenses in the statement of income when incurred.

The Company ceases to capitalize borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

U. Share-based payment transactions

The Company's employees and service providers are entitled to benefits by way of equity-settled share-based payment. Some employees are entitled to benefits by way of cash-settled share-based payments, which are measured according to the increase in the value of the Company's shares.

Note 2 - Significant Accounting Policies (cont'd)

U. Share-based payment transactions (cont'd)

Equity-settled transactions
The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments on the grant date. Fair value is determined using a generally accepted option pricing model.
The cost of equity-settled transactions is recognized in profit or loss with a corresponding increase in equity over the period in which the service conditions are satisfied, and ends on the date when the relevant employees are entitled to compensation (hereinafter: the "Vesting Period"). The cumulative expense recognized in respect of equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the Vesting Period has passed and the Group's best estimate regarding the number of equity instruments that will ultimately vest.

Expenses in respect of grants which do not utlimately vest are not recognized.

Cash-settled transactions
The cost of cash-settled transactions is measured at fair value on the grant date, using a generally accepted option pricing model. Fair value is recognized as an expense over the Vesting Period, and a liability is simultaneously recognized. The liability is remeasured in each reporting period at fair value until its settlement, and changes in fair value are recognized in profit or loss.

V. Earnings (loss) per share

Earnings per share are calculated by dividing the net profit attributable to the Company's shareholders by the weighted number of ordinary shares outstanding during the period.
Potential ordinary shares are included in the calculation of diluted earnings per share if they have a dilutive effect on earnings per share from continuing operations. Potential ordinary shares which were converted during the period are included in diluted earnings per share only until the conversion date, and from that date on, are included in basic earnings per share. The Company's share of the profit (loss) of investees is calculated according to its share of the earnings (loss) per share of those companies, multiplied by the number of shares held by the Company.

W. Changes in accounting policies – amendments to existing accounting standards

1. 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.

Note 2 - Significant Accounting Policies (cont'd)

W. Changes in accounting policies – amendments to existing accounting standards (cont'd)

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

According to the exception, liabilities and contingent liabilities within the scope of IAS 37 or IFRIC 21 will be recognized on the acquisition date according to the guidance in IAS 37 or IFRIC 21, 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 will be applied prospectively for annual reporting periods beginning on or after January 1, 2022.

2. Annual Improvements to IFRS Standards 2018-2020 Cycle

As part of the Annual Improvements to IFRS Standards 2018-2020 Cycle, in May 2020 the IASB issued certain amendments. The main amendment refers to IFRS 9. The amendment to IFRS 9 clarifies which fees the Company is required to include in the '10 percent test' under section 3.3.6 of IFRS 9, when assessing if the terms of a debt instrument that was modified or exchanged are substantially different to those of the original instrument.
According to the amendment, in determining fees paid net of fees received, a borrower includes in cash flows only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022. The amendment applies to financial liabilities that were modified or exchanged commencing in the year when the amendment was first applied, i.e., from January 1, 2022.

Note 3 - Key Judgments, Estimates and Assumptions in Preparing the Financial Statements

In the process of applying the significant accounting policies in the financial statements, the Group applied judgment and weighed considerations concerning the following subjects, which have a material impact on the amounts recognized in the financial statements:

A. Considerations

- Development costs
Company management is required to apply judgment regarding satisfaction of the conditions for recognizing costs in respect of development projects as intangible assets. The review is performed according to the parameters specified in Note 2N above.
The Company discounts costs in respect of development projects. The initial discounting date is based, inter alia, on management's judgment regarding the existence of technological and economic feasibility, generally when project development has reached a milestone that was defined by Company management. In determining the amount to be discounted, management makes estimates pertaining to the project's projected future cash flows, the discount rate, and the period during which benefits are expected to arise from the project.

Note 3 - Key Judgments, Estimates and Assumptions in Preparing the Financial Statements (cont'd)

B. Estimates and assumptions

In preparing the financial statements, management is required to make use of estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. In formulating accounting estimates, management draws on past experience, various facts, external factors and probability judgments, according to the circumstances. Changes in accounting estimates are recognized in the period when the change in estimate was made.

Presented below are the main assumptions which were made in the financial statements with respect to the uncertainty on the reporting date and critical estimates that were calculated by the Group, where a significant change in the estimates and assumptions would alter the value of assets and liabilities in the financial statements in the subsequent year:

- Goodwill impairment
  The Company tests for goodwill impairment at least once yearly. The test requires management to estimate future cash flows that are expected to be derived from the continuing use of the cash-generating unit (or group of cash-generating units) to which the goodwill was attributed. Management is also required to estimate the appropriate discount rate for those cash flows. Possible consequences are the recognition of an impairment loss in profit or loss in the period when it was incurred.

- Deferred tax assets
  Deferred tax assets are recognized in respect of carryforward tax losses and in respect of unused deductible temporary differences, if taxable income is expected in the future against which they can be used. An estimate by management is required to determine the amount of the deferred tax asset which can be recognized based on the timing, the amount of expected taxable income, its source, and the tax planning strategy. Based on changes in these assumptions, the Company will create or derecognize a deferred tax asset.

- Inventory impairment
  The Company assesses inventory impairment on a half-yearly basis based on past experience, old inventory balances and an assessment of future consumption forecasts.

Note 4 - Disclosure of New International Financial Reporting Standards (IFRS) During the Period Preceding Their Adoption

A. Amendments to IAS 1, Presentation of Financial Statements

In January 2020, the IASB issued an amendment to IAS 1 regarding requirements for the classification of liabilities as current or non-current (hereinafter: the "Original Amendment"). In October 2022, the IASB issued a subsequent amendment to the Original Amendment (hereinafter: the "Subsequent Amendment").

The Subsequent Amendment determines that:

Note 4 - Disclosure of New International Financial Reporting Standards (IFRS) During the Period Preceding Their Adoption (cont'd)

A. Amendments to IAS 1, Presentation of Financial Statements (cont'd)

- Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current;
- For liabilities subject to covenants which an entity is required to comply with within twelve months of the reporting date, the entity shall disclose information in the notes that enables users of financial statements to understand the risks inherent in that liability. In other words, the Subsequent Amendment determines the necessity to disclose the carrying amount of the liability, information about the covenants, and facts and circumstances as of the end of the reporting period that could lead to the conclusion that the entity may have difficulty complying with the covenants.

The Original Amendment determined that the conversion option for a liability will affect the classification of the entire liability as current or non-current, other than in cases where the conversion component is an equity instrument.

The Original Amendment and the Subsequent Amendment are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. The Amendments will be adopted retrospectively.

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

In February 2021, the IASB issued an amendment to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (hereinafter: the "Amendment"). The purpose of the Amendment is to introduce a new definition of the term "accounting estimates".
Accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The Amendment explains the nature of changes in accounting estimates and how they are distinguished from changes in accounting policy and the correction of errors.

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

C. Amendment to IAS 12, Income Taxes

In May 2021, the IASB issued an amendment to IAS 12, Income Taxes (hereinafter: "IAS 12" or the "Standard"), which narrows the scope of the "initial recognition exemption" for deferred taxes, presented in paragraphs 15 and 24 of IAS 12 (hereinafter: the "Amendment").

In the guidance for recognition of deferred tax assets and liabilities, IAS 12 excludes recognition of deferred taxes related to assets and liabilities for certain temporary differences arising on initial recognition of assets and liabilities in certain transactions. This exception is entitled the "initial recognition exemption". The Amendment narrows the scope of the recognition exemption and clarifies that it does not apply to deferred tax assets and liabilities arising from a transaction that is not a business combination, which gives rise to equal taxable and deductible temporary differences, even if the remaining conditions for exemption are satisfied.

Note 4 - Disclosure of New International Financial Reporting Standards (IFRS) During the Period Preceding Their Adoption (cont'd)

C. Amendment to IAS 12, Income Taxes (cont'd)

The Amendment is effective for reporting periods beginning on or after January 1, 2023. Earlier adoption is permitted.

In the Company's estimation, the Amendment is not expected to have a material effect on its financial statements.

D. Amendment to IAS 1, Disclosure of Accounting Policies

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

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

The Company is reviewing the implications of the Amendment on its financial statements.

Note 5 - Business Combinations

On June 10, 2020, the Company entered into an agreement with BWT Wassertechnik GmbH for the acquisition of all of the shares of Bunger & Frese GmbH (hereinafter: "BF GmbH"). BF GmbH is a distributor for the Company in the German market, which specializes in sales to pool builders and e-commerce sales, and is engaged in two main fields of business: sales of robotic pool cleaners and sales of a wide variety of pool equipment, including, inter alia, pumps, filters, pool covers, manual pool cleaning tools, water heaters, water cleaning chemicals, etc. The business combination date was set at June 30, 2020.

Fair value of the identifiable assets and identifiable liabilities of BF GmbH at the acquisition date:	Fair value NIS thousands
Cash and cash equivalents	6,294
Trade receivables, net	4,007
Other accounts receivable	881
Inventory	7,361
Long-term accounts receivable	101
Fixed assets	233
Intangible assets	15,492
Trade payables	(2,054)
Other accounts payable	(2,584)
Taxes payable	(2,120)
Loans from others	(3,883)
Deferred taxes	(4,054)
Identifiable assets, net	19,674
Goodwill from the acquisition	28,919
Total acquisition cost	48,593

The total cost of the business combination amounted to EUR 13 million (approximately NIS 48,593 thousand). On the date of the business combination, a sum of EUR 1 million (approximately NIS 3,883 thousand) was paid in cash; on December 31, 2020, EUR 3 million (approximately NIS 11,821 thousand) were paid; on December 31, 2021, EUR 4.5 million (approximately NIS 15,962 thousand) were paid; and the remainder – EUR 4.5 million (approximately NIS 16,539) was paid on December 31, 2022. The deferred payments were discounted at an annual interest rate of 2.6%.

Acquisition costs directly attributable to the transaction, at an amount of NIS 1,078 thousand, were accounted for as an expense under general and administrative expenses.

Note 5 - Business Combinations (cont'd)

Acquisition cost

	NIS thousands
Cash paid	3,883
Deferred liability	44,710
Total acquisition cost	48,593

Cash arising from the acquisition

	NIS thousands
Cash and cash equivalents in the acquiree on the acquisition date	6,294
Cash paid in consideration for the acquisition	(3,883)
Cash, net	2,411

Goodwill created in the acquisition is attributed to the projected benefits arising from synergies in integrating the activities of the Company and the acquiree. The goodwill that was recognized is not expected to be deductible for income tax purposes.

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 USD 16 million plus working capital adjustments in accordance with the sale agreement as of the acquisition date. USD 11.6 million were paid at the closing (the business combination date), and the outstanding amount of approximately USD 7.2 million will be paid one year after the closing. In addition to the consideration, the subsidiary MTUS undertook 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 chosen to measure the non-controlling interests in the acquiree as its proportionate interest in the fair value of the acquiree's net identifiable assets.

Note 5 - 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	42,924
Trade receivables, net	5,701
Other accounts receivable	15,987
Inventory	90,422
Fixed assets	769
Right-of-use assets	6,896
Intangible assets	47,705
Trade payables	(144,194)
Income tax payable	(343)
Lease liabilities	(7,000)
Net identifiable assets	58,867
Non-controlling interests	(17,659)
Goodwill arising on acquisition	36,229
Total cost of acquisition	77,437

The total cost of the business combination was NIS 77,437 thousand and included a cash payment of NIS 39,895 thousand. The deferred liability of NIS 24,751 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	39,895
Deferred liability	24,751
Contingent consideration	12,791
Total cost of acquisition	77,437

Cash provided by the acquisition	NIS thousands
Cash and cash equivalents in acquiree on the acquisition date	42,924
Cash paid in consideration for the acquisition	(39,895)
Net cash	3,029

Since the acquisition date, ECCXI has contributed a net loss of NIS (1,224) thousand to consolidated net profit, and NIS 118,344 thousand to consolidated revenue. Had the business combination been made at the beginning of the year, ECCXI's contribution is estimated at NIS 20 million and NIS 486 million to net profit and consolidated revenue, respectively.

Note 5 - Business Combinations (cont'd)

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 6 - Cash and Cash Equivalents

	December 31	
	2022	2021
	NIS thousands	
Cash and deposits available for immediate withdrawal	120,891	237,779

Note 7 - Short Term Investments

	December 31	
	2022	2021
	NIS thousands	
Marketable securities held for trading		
Shares	933	1,472
ETFs and participation units in mutual funds	1,481	1,564
Government bonds and loans	15,203	16,584
	17,617	19,620

Note 8 - Trade Receivables, Net

	December 31	
	2022	2021
	NIS thousands	
Accounts payable (1)	182,236	111,987
Checks receivable	5,268	3,930
Trade receivables, net	187,504	115,917

(1) Trade receivables do not bear interest. The average number of customer days in 2022 was 77.

Impairment of trade receivables is accounted for by recording a provision for doubtful debts.

Presented below are the changes in the provision for doubtful debts:

Note 8 - Trade Receivables, Net (cont'd)

	NIS thousands
Balance as of January 1, 2021	635
Provision during the year	180
Recognition of bad debts	(81)
Reversal in respect of doubtful debts collected	(218)
Adjustments arising from translation of financial statements of foreign operations	(134)
Balance as of December 31, 2021	382
Provision during the year	215
Recognition of bad debts	-
Reversal in respect of doubtful debts collected	(137)
Adjustments arising from translation of financial statements of foreign operations	128
Balance as of December 31, 2022	588

Presented below is an analysis of the balance of trade receivables for which impairment (a provision for doubtful debts) was not recognized, net trade receivables, according to the period of arrears in collection in relation to the reporting date:

	Trade receivables not yet fallen due (no arrears in collection)	Past-due trade receivables				
		Up to 30 days	30-60 days	60-90 days	Over 90 days	Total
	NIS thousands					
December 31, 2022	125,019	25,256	24,354	3,005	9,870	187,504
December 31, 2021	95,202	14,339	3,458	841	2,077	115,917

As of December 31, 2022, the entire remaining balance of the provision for doubtful debts is attributable to the balance of trade receivables which are over 90 days past due.

Note 9 - Other Accounts Receivable

	December 31,	
	2022	2021
	NIS thousands	
Government institutions	40,058	38,227
Employees	359	318
Taxes receivable	5,959	545
Foreign currency transactions	-	24,070
Advance payments to suppliers	6,075	12,921
Prepaid expenses and other receivables	11,844	3,421
	64,295	79,502

Note 10 - Inventory

	December 31,	
	2022	2021
	NIS thousands	
Raw and auxiliary materials	263,345	186,282
Goods in process	96,778	66,918
Finished goods	655,975	276,505
	1,016,098	529,705

Includes a provision for slow-moving and obsolete inventory at an amount of NIS 11,176 thousand (in 2021 – NIS 7,036 thousand).

Note 11 - Long-Term Deposits

Including deposits in respect of buildings and bank deposits in France at an amount of NIS 120 thousand for a period of 1-3 years, which do not bear interest, which serve as collateral for the consolidated company's business in France.

Note 12 - Fixed Assets, Net

A. Composition and changes

2022	Leasehold improvements (1)	Machines, equipment and molds	Furniture and office equipment	Vehicles	Total
	NIS thousands				
Cost					
Balance as of January 1, 2022	101,167	170,385	28,572	3,106	303,230
Additions during the year - purchases	26,011	39,427	8,430	727	74,595
First-time consolidated company	-	-	769	-	769
Adjustments arising from translation of financial statements of foreign operations	549	1,166	728	163	2,606
Derecognition during the year - disposals	-	(585)	(282)	(343)	(1,210)
Balance as of December 31, 2022	127,727	210,393	38,217	3,653	379,990
Accumulated depreciation					
Balance as of January 1, 2022	26,712	105,563	17,777	1,870	151,922
Additions during the year - depreciation	6,442	15,208	4,820	538	27,008
Adjustments arising from translation of financial statements of foreign operations	322	651	435	62	1,470
Derecognition during the year - disposals	-	(130)	(177)	(308)	(615)
Less - investment grant	(61)	(46)	-	-	(107)
Balance as of December 31, 2022	33,415	121,246	22,855	2,162	179,678
Depreciated cost as of December 31, 2022	94,312	89,147	15,362	1,491	200,312

(1) Improvements were partially in Israel, on leased land belonging to Kibbutz Yizre'el (see Note 31G).

Note 12 - Fixed Assets, Net (cont'd)

A. Composition and changes (cont'd)

2021	Leasehold improvements (1)	Machines, equipment and molds	Furniture and office equipment	Vehicles	Total
	NIS thousands				
Cost					
Balance as of January 1, 2021	75,833	143,393	25,506	2,934	247,666
Additions during the year - purchases	25,939	30,458	6,618	464	63,479
Adjustments arising from translation of financial statements of foreign operations	(605)	(1,677)	(529)	(192)	(3,003)
Derecognition during the year - disposals	-	(1,789)	(3,023)	(100)	(4,912)
Balance as of December 31, 2021	101,167	170,385	28,572	3,106	303,230
Accumulated depreciation					
Balance as of January 1, 2021	22,120	96,440	17,570	1,658	137,788
Additions during the year - depreciation	5,038	12,071	3,497	352	20,958
Adjustments arising from translation of financial statements of foreign operations	(385)	(1,029)	(332)	(82)	(1,828)
Derecognition during the year - disposals	-	(1,772)	(2,955)	(58)	(4,785)
Less - investment grant	(61)	(147)	(3)	-	(211)
Balance as of December 31, 2021	26,712	105,563	17,777	1,870	151,922
Depreciated cost as of December 31, 2021	74,455	64,822	10,795	1,236	151,308

(1) Improvements were partially in Israel, on leased land belonging to Kibbutz Yizre'el (see Note 31G).

B. For details regarding charges, See Note 26.

Note 13 - Leases

The Company has lease agreements that include leases of buildings, vehicles, computers and peripheral equipment, which serve both for the Company's operating activities, and for subleasing and collecting rent from tenants. Lease agreements in respect of the buildings are in effect for periods ranging between 2 and 15 years, whereas lease agreements in respect of computers, peripheral equipment and vehicles are for periods ranging between 2 and 5 years. Some of the lease agreements in which the Company has engaged include options to extend and/or cancel.

Note 13 - Leases (cont'd)

1. Information regarding lease transactions

	For the year ended December 31		
	2022	2021	2020
	NIS thousands		
Interest expenses in respect of lease liabilities	4,265	3,159	2,674
Expenses in respect of short-term leases	187	259	212
Expenses in respect of leases of low value properties	-	50	51
Income from sublease of right-of-use assets	-	-	-
Total cash outflows in respect of leases	(27,568)	(22,351)	(19,504)

2. Extension and cancellation options

The Company has lease agreements which include both extension options and cancellation options. These options allow the Company flexibility in managing the lease transactions, and alignment with the Company's business needs.
The Company exercises significant judgment when evaluating whether the extension and cancellation options are reasonably certain to be exercised.
In lease agreements in which the Company usually exercises the extension options available under the agreements, the Company also included the exercise of these extension options in the lease term, since if an alternative property is not immediately available at the end of the non-cancellable lease period, the Company's operating activities will suffer substantial harm.
The Company did not include the exercise of extension options in the lease term in cases where it does not consider it reasonably certain that it will exercise said options.
Additionally, in lease agreements for vehicles, the Company did not include the exercise of extension options in the lease term, since it is not the Company's practice to exercise such options.
Furthermore, lease periods under the lease cancellation option were included as part of the lease term when it is reasonably certain that such options will not be exercised.

Presented below are details regarding future lease payments attributed to periods under extension options, which were not taken into account as part of the Company's lease liabilities:

As of December 31, 2022:	Up to 5 years	More than 5 years
	NIS thousands	
Lease payments applying in periods under extension options which, as of the date of the financial statements, the Company is not reasonably certain will be exercised	3,645	4,681

As of December 31, 2021:	Up to 5 years	More than 5 years
	NIS thousands	
Lease payments applying in periods under extension options which, as of the date of the financial statements, the Company is not reasonably certain will be exercised	1,306	2,180

Note 13 - Leases (cont'd)

3. Disclosures regarding right-of-use assets

2022	Land	Vehicles	Computers and peripheral equipment	Total
	NIS thousands			
Cost				
Balance as of January 1, 2022	127,931	22,919	948	151,798
Additions in respect of new leases	36,889	13,062	95	50,046
Adjustments for the CPI	3,990	642	-	4,632
First-time consolidated company	6,842	54	-	6,896
Adjustments arising from translation of financial statements of foreign operations	2,255	371	68	2,694
Derecognition during the year in respect of discontinued leases	(1,325)	(6,775)	(78)	(8,178)
Balance as of December 31, 2022	176,582	30,273	1,033	207,888
Accumulated depreciation				
Balance as of January 1, 2022	32,084	10,409	497	42,990
Depreciation	16,711	9,206	182	26,099
Adjustments arising from translation of financial statements of foreign operations	845	171	40	1,056
Derecognition during the year in respect of discontinued leases	(1,023)	(5,551)	(78)	(6,652)
Balance as of December 31, 2022	48,617	14,235	641	63,493
Depreciated cost as of December 31, 2022	127,965	16,038	392	144,395

Note 13 - Leases (cont'd)

3. Disclosures regarding right-of-use assets (cont'd)

2021	Land	Vehicles	Computers and peripheral equipment	Total
	NIS thousands			
Cost				
Balance as of January 1, 2021	106,849	19,544	938	127,331
Additions in respect of new leases	25,370	10,189	169	35,728
Adjustments for the CPI	1,586	229	-	1,815
Adjustments arising from translation of financial statements of foreign operations	(2,484)	(354)	(113)	(2,951)
Derecognition during the year in respect of discontinued leases	(3,390)	(6,689)	(46)	(10,125)
Balance as of December 31, 2021	127,931	22,919	948	151,798
Accumulated depreciation				
Balance as of January 1, 2021	21,323	9,486	392	31,201
Depreciation	13,505	7,587	205	21,297
Adjustments arising from translation of financial statements of foreign operations	(826)	(205)	(54)	(1,085)
Derecognition during the year in respect of discontinued leases	(1,918)	(6,459)	(46)	(8,423)
Balance as of December 31, 2021	32,084	10,409	497	42,990
Depreciated cost as of December 31, 2021	95,847	12,510	451	108,808

Note 14 - Intangible Assets, Net

	Customer relations	Brands	Tech-nology	Supplier relations	Computer software	Develop-ment costs	Good-will	Total
	NIS thousands							
Cost								
Balance as of January 1, 2021	6,362	9,395	5,169	-	15,133	145,419	29,376	210,854
Additions - internally generated	-	-	-	-	-	32,685	-	32,685
Additions - purchased separately	-	-	-	-	8,046	585	-	8,631
Disposals	-	-	-	-	(280)	-	-	(280)
Adjustments arising from translation of financial statements of foreign operations	(684)	(1,010)	(464)	-	(418)	(1,179)	(3,159)	(6,914)
Balance as of December 31, 2021	5,678	8,385	4,705	-	22,481	177,510	26,217	244,976
Additions - internally generated	-	-	-	-	-	44,248	-	44,248
Additions - purchased separately	-	-	-		14,818	477	1,291	16,586
First-time consolidated subsidiary	26,619	1,236	-	19,850	-	-	36,229	83,934
Disposals	-	-	-	-	-	-	-	-
Adjustments arising from translation of financial statements of foreign operations	1,043	586	274	497	321	699	2,643	6,063
Balance as of December 31, 2022	33,340	10,207	4,979	20,347	37,620	222,934	66,380	395,807

	Customer relations	Brands	Tech-nology	Supplier relations	Computer software	Develop-ment costs	Good-will	Total
	NIS thousands							
Cost								
Balance as of January 1, 2021	457	668	485	-	8,165	58,305	-	68,080
Amortization recognized during the year	887	1,235	631	-	2,550	8,864	-	14,167
Disposals	-	-	-	-	(200)	-	-	(200)
Adjustments arising from translation of financial statements of foreign operations	(120)	(165)	(85)	-	(293)	(883)	-	(1,546)
Balance as of December 31, 2021	1,224	1,738	1,031	-	10,222	66,286	-	80,501
Amortization recognized during the year	2,055	1,229	607	1,658	3,309	7,820	-	16,678
Disposals	-	-	-	-	-	-	-	-
Adjustments arising from translation of financial statements of foreign operations	162	185	78	33	232	485	-	1,175
Balance as of December 31, 2022	3,441	3,152	1,716	1,691	13,763	74,591	-	98,354
Net balance								
As of December 31, 2022	29,899	7,055	3,263	18,656	23,857	148,343	66,380	297,453
As of December 31, 2021	4,454	6,647	3,674	-	12,259	111,224	26,217	164,475

Note 14 - Intangible Assets, Net (cont'd)

Amortization expenses

Expenses in respect of the amortization of intangible assets are classified in profit or loss as follows:

	For the year ended December 31		
	2022	2021	2020
	NIS thousands		
Cost of sales	10,813	9,922	8,573
Selling and marketing expenses	3,089	1,913	996
General and administrative expenses	2,776	2,332	1,674
	16,678	14,167	11,243

Note 15 - Credit from Banks

	In or linked to foreign currency	Unlinked	Total
		NIS thousands	
December 31, 2022			
Short-term bank credit	147,096	264,889	411,985
Current maturities of long-term loans	7,035	58,402	65,437
	154,131	323,291	477,422
December 31, 2021			
Short-term bank credit	46,944	210,891	257,835
Current maturities of long-term loans	8,995	15,936	24,931
	55,939	226,827	282,766

As of December 31, 2022, short-term NIS loans amounting to NIS 264 million bear interest at the prime rate plus a margin of -0.5% to -0.1%, and long-term NIS loans amounting to NIS 114 million bear interest at the prime rate plus a margin of 0.58% to 0.92%. Long-term NIS loans amounting to NIS 173 million bear fixed interest at an average rate of 4%. Short-term USD loans amounting to NIS 147 thousand bear interest at the SOFR rate plus a margin of 1.3%. Long-term USD loans amounting to NIS 26 million bear 2.17% fixed interest

As of December 31, 2022, the Group has a total of NIS 56 million in unused lines of credit.

Note 16 - Trade Payables

	December 31	
	2022	2021
	NIS thousands	
Accounts payable	239,552	221,938
Notes payable	542	636
	240,094	222,574

Trade payables do not bear interest. The average number of supplier days in 2022 was 95 days.

Note 17 - Other Accounts Payable

	December 31	
	2022	2021
	NIS thousands	
Employees and payroll accruals	40,600	35,928
Foreign currency transactions	23,115	-
Advance payments from customers and deferred revenue	3,855	3,023
Institutions	2,291	2,554
Purchasing organizations	4,145	145
Controlling shareholder (1)	3,569	1,243
Accrued expenses	83,863	76,651
	161,438	119,544

(1) See Note 31.

Note 18 - Loans from Banks

	December 31	
	2022	2021
	NIS thousands	
Loans from banking corporations (1), (2), (3), (4)	248,157	62,671

(1) In May 2017 the subsidiary in France took out a five-year loan of EUR 2 million from a banking corporation, bearing 1.45% fixed interest. In August 2018 the subsidiary in France took out an additional five-year loan of EUR 2 million from a banking corporation, bearing 1.5% fixed interest.

(2) In March 2020 the Company took out two five-year loans of NIS 30 million and NIS 25 million from banking corporations, bearing annual interest at the prime rate plus 0.9%. In May 2020 the Company took out an additional five-year loan of NIS 25 million from a banking corporation, bearing annual interest at the prime rate plus 0.9%.

(3) In September 2020 the Company took out a five-year loan of USD 10 million from a banking corporation, bearing 2.1% fixed annual interest.

(4) In January 2022, the Company took out three five-years loans of NIS 20 million, NIS 30 million and NIS 30 million from banking corporations, bearing 2.0%, 1.8% and 1.7% fixed interest, respectively. In September 2022, the Company took out two five-years loans of NIS 60 million and NIS 20 million from banking corporations, bearing annual interest at the prime rate plus 0.8% and the prime rate plus 0.6%, respectively. In September 2022, the Company also took out two eight-year loans of NIS 50 million and NIS 60 million from banking corporations, bearing 5.6% and 5.3% fixed annual interest, respectively.

Note 19 - Employee Benefits Liabilites, Net

Employee benefits include short-term benefits, post-employment benefits and other long-term benefits.

Post-employment benefits

Labor laws and the Severance Pay Law in Israel require the Company to pay severance to employees upon termination of employment or retirement, or to make regular contributions to defined contribution plans in accordance with section 14 of the Severance Pay Law, as described below. The Company's resulting obligation is accounted for as a post-employment benefit. The Company's liability in respect of employee benefits is calculated according to a valid employment agreement and is based on the employee's salary and the period of his employment which, in management's opinion, create the right to receive severance pay.

Post-employment benefits are generally financed by contributions which are classified as a defined contribution plan or a defined benefit plan, as described below:

1. Defined contribution plans

Some severance payments are subject to the terms of section 14 of the Severance Pay Law, 1963, according to which the Group's fixed contributions to pension funds and/or insurance policies exempt it from any further obligation towards the employees for whom said amounts were contributed. These contributions, and contributions to provident funds, constitute defined contribution plans.

	For the year ended December 31		
	2022	2021	2020
	NIS thousands		
Expenses in respect of defined contribution plans	12,622	9,291	6,558

2. Defined benefit plans

The portion of severance payments which is not covered by contributions to defined contribution plans, as stated above, is accounted for by the Group as a defined benefit plan, under which a liability is recognized in respect of employee benefits, and the Group contributes amounts to central severance pay funds and appropriate insurance policies.

Note 20 - Taxes on Income

A. Tax laws applicable to the Group's member companies

The Income Tax Law (Inflationary Adjustments), 1985
According to the law, until the end of 2007 results for tax purposes in Israel were measured after adjustments for changes in the Consumer Price Index.

In February 2008 the Knesset passed an amendment to the Income Tax Law (Inflationary Adjustments), 1985, which limits the application of the Adjustments Law from 2008 and thereafter. Since 2008, results for tax purposes are measured at nominal values, excluding certain adjustments for changes in the CPI during the period until December 31, 2007. Adjustments pertaining to capital gains, such as disposal of real property (capital gains tax) and securities, continue to apply through to the date of disposal. The legislative amendment includes, inter alia, cancellation of the adjustment of the addition and deduction for inflation, and the additional deduction for depreciation (for depreciable assets which were acquired after tax year 2007), beginning in 2008.

The Encouragement of Capital Investments Law, 1959
According to the law, the Company is entitled to various tax benefits by virtue of the status of "Approved Enterprise" granted to some of its enterprises, as defined in said law. The main benefits under the law are the following:

Grants track
The Company is entitled to an investment grant in Development Zone A, which is eligible for investment grants at a rate of 20%.

Accelerated depreciation
In respect of machines and equipment which are used by the Approved Enterprise, the Company is entitled to deduct accelerated depreciation in the first five years of the use of those assets, beginning from the first year of operation of each asset.

Conditions for the applicability of benefits
The foregoing benefits are conditional on satisfaction of the conditions prescribed in the law, in the regulations promulgated thereunder and in the letters of approval under which the investments in the Approved Enterprises were made, as stated above. Failure to satisfy the conditions may lead to the cancellation of all or some of the benefits and to the refund of the grant monies, plus interest. In management's estimate, the Company is compliant with said conditions.

Amendment to the Encouragement of Capital Investments Law, 1959 (Amendment 68)
In January 2011, the Economic Policy for the Years 2011 and 2012 Law (Legislative Amendments), 2011, was published, which prescribes, inter alia, amendments to the Encouragement of Capital Investments Law, 1959 (hereinafter: the "Law"). The amendment alters the benefit tracks in the Law, applying a uniform tax rate to all preferred income of the Company, which will be considered a preferred company that owns a "preferred enterprise". Beginning in the 2011 tax year, the Company elected to come under the applicability of this amendment, and since that tax year it has been subject to the amended tax rates, as specified below.

Note 20 - Taxes on Income (cont'd)

A. Tax laws applicable to the Group's member companies (cont'd)

Amendment to the Encouragement of Capital Investments Law, 1959 (Amendment 73)
In December 2016 the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), 2016 was published, which includes Amendment 73 to the Encouragement of Capital Investments Law (hereinafter: the "Amendment"). The amendment prescribes that the tax rate which will apply commencing on January 1, 2017 and thereafter to a preferred enterprise located in Development Zone A will be 7.5% in lieu of 9% (the tax rate for preferred enterprises which are located outside of Development Zone A remains 16%).

The Company chose to transition to the preferred enterprise track beginning in tax year 2011, and submitted its final decision to the tax authorities. The deferred tax balances were updated on that date.

On November 17, 2021, the Company was informed that the Authority for Investments and Development of the Industry and Economy in the Ministry of Economy and Industry had decided to recognize Kibbutz Yizre'el Industrial Park as Development Zone A. In this context, the tax rate applying to the income of the Company's manufacturing site at Kibbutz Yizre'el was reduced from 16% to 7.5%.

Furthermore, in the third quarter of 2022, the Company was informed that the Authority for Investments and Development of the Industry and Economy in the Ministry of Economy and Industry had decided that the recognition of Yizre'el Industrial Park as Development Zone A would be applied retroactively, commencing in 2019.

The Encouragement of Industry (Taxes) Law, 1969
The Company has the status of an "industrial company", as defined in this law. In accordance with this status and by virtue of regulations which were published, the Company is entitled to claim deduction of depreciation at increased rates in respect of equipment used in industrial activity, as determined in the regulations promulgated under the Adjustments Law. The Company is also entitled to amortization in respect of patents or the right to use a patent or knowledge that are used in the development or promotion of the enterprise, to deduct expenses in respect of an issuance of shares listed on the stock exchange, and to submit a consolidated report under certain conditions.

Amendment to the Encouragement of Capital Investments Law, 1959 (Amendment 74)
On November 15, 2021, the Economic Efficiency Law (Legislative Amendments for Attaining Budgetary Objectives for the 2021 and 2022 Budget Years), 2021 (hereinafter: the "Economic Efficiency Law") was published, which determined a temporary order pertaining to the relase of profits accumulated by companies until December 31, 2020, in years when said profits were exempt from corporate tax (hereinafter: "Trapped Earnings" or "Accumulated Income"), including a mechanism for reducing the claw-back corporate income tax (CIT) rate (hereinafter: "Temporary Orders").
In addition to the CIT claw-back mechanism, section 74 of Encouragement of Capital Investments Law was amended such that commencing on August 15, 2021, in each dividend distribution (including dividends under section 52B) by a company with Trapped Earnings, allocation of part of said distribution to the Trapped Earnings will be required.

Note 20 - Taxes on Income (cont'd)

A. Tax laws applicable to the Group's member companies (cont'd)

Amendment to the Encouragement of Capital Investments Law, 1959 (Amendment 74) (cont'd)

According to the Temporary Orders, reduction of the CIT rate will apply to Trapped Earnings that are released (without the obligation to distribute those earnings) during a one-year period from the date on which the law was enacted. Reduction of the tax obligation in respect of the claw-back is contingent on the ratio of the released Trapped Earnings to total Trapped Earnings, and on the percentage of foreign investment in the years in which the profits were generated, such that the higher the percentage of Trapped Earnings released, the lower the tax in respect of the distribution. The minimum CIT rate is 6%. Furthermore, a company that has elected to pay reduced corporate tax will be obliged to make a "designated investment" in an industrial plant owned by the company under the requirements of the Economic Efficiency Law, within five years from the tax year in which said decision was made. The "designated investment" funds will be invested in the purchase of productive assets and/or in R&D in Israel and/or in the salaries of additional employees that are employed by the facility.

The tax consequence of the dividend of NIS 75 million declared on August 17, 2021, part of the source of which is the exempt earnings of an Approved Enterprise of the Company, is approximately NIS 4 million. This amount was recognized as current tax expenses against taxes payable in 2021.

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 dedicated investment of NIS 14.8 million in its industrial plant over the next five years

B. Tax rates applicable to the Group's member companies

1. In December 2016 the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), 2016 was published, which includes a reduction of the CIT rate beginning on January 1, 2017 to 24% (in lieu of 25%), and beginning on January 1, 2018, to 23%.

   The corporate tax rate in Israel in 2022, 2021 and 2020 was 23%.

   A body of persons is subject to real capital gains tax according to the CIT rate which applies in the year of the sale.

   In August 2013, The Law for the Change of National Priorities (Legislation Amendments for Achieving Budget Goals for the Years 2013 and 2014), 2013 was published (the "Budget Law"). The law includes, inter alia, provisions in respect of the taxation of revaluation gains beginning on August 1, 2013; however, the entry into effect of said provisions in respect of revaluation gains is conditional upon the publication of regulations defining "retained earnings that are not subject to corporate tax", and regulations which will prescribe provisions to prevent double taxation, which may apply to assets outside of Israel. As of the date of approval of these financial statements, the foregoing regulations have not yet been published.

Note 20 - Taxes on Income (cont'd)

B. Tax rates applicable to the Group's member companies (cont'd)

2. The main tax rates which apply to the consolidated companies incorporated outside of Israel are:

The company incorporated in the United States - weighted tax rate of approximately 25% (federal tax, and the company's applicable state tax and local tax).
On December 22, 2017, a tax reform was enacted in the United States, which includes a reduction of the federal corporate tax rate to 21% (in lieu of 35%), and for certain types of export income, to 13.125%.
The company incorporated in France - the corporate tax rate which applied in 2019 up to a total income of EUR 500 thousand was 28%; above said income, tax rates of 33.34% and 31% will apply, respectively. The corporate tax rate in 2020 was 28%. The corporate tax rate in 2021 was 26.5%, and in 2022 and thereafter - 25%. A body of persons is subject to real capital gains tax according to the CIT rate which applies in the year of the sale.
The company incorporated in Australia - tax rate of 30%.
The company incorporated in Germany - tax rate of 30%.
The company incorporated in Spain – tax rate of 25%.

C. Final tax assessments

Final tax assessments have been issued for the Company up to and including the 2021 tax year. Tax assessments which are considered final have been issued for MTFR up to and including the 2019 tax year. Tax assessments which are considered final have been issued for MTUS up to and including the 2018 tax year. A tax assessment which is considered final was issued for MTAU for the 2016 tax year. A tax assessment which is considered final was issued for BF for the 2017 tax year. No tax assessments that are considered final have yet been issued for MTSP.

D. Deferred taxes

Composition and changes:

	Statements of financial position	
	December 31	
	2022	2021
	NIS thousands	
Deferred tax assets (liabilities)		
Fixed assets and right-of-use assets	849	870
Carryforward tax losses in subsidiary	9,803	15,956
Employee benefits	1,883	1,745
Intangible assets (including excess purchase price allocation)	(6,809)	(5,862)
Others (mainly in respect of intercompany transactions)	34,070	12,690
	39,796	25,399

Note 20 - Taxes on Income (cont'd)

D. Deferred taxes (cont')

	Statement of comprehensive income (loss)		
	For the year ended December 31		
	2022	2021	2020
	NIS thousands		
Deferred tax income (expenses)			
Fixed assets	41	(1,818)	276
Carryforward tax losses	(7,263)	3,422	4,390
Employee benefits	270	(488)	436
Others (mainly in respect of unrealized profits)	20,451	2,213	3,737
Total deferred tax income in the statement of income	13,499	3,329	8,839
Remeasurement loss (gain) on defined benefit plans	(166)	(26)	68
Total deferred tax income in the statement of comprehensive income	13,333	3,303	8,907

*) Due to the impact of exchange rates of foreign operations on deferred tax balances, in 2022 a net amount of NIS 1,064 thousand was carried to the translation reserve (2021 - NIS (402) thousand).

Deferred taxes are presented in the statement of financial position as follows:

	December 31	
	2022	2021
	NIS thousands	
Non-current assets	41,298	27,274
Non-current liabilities	1,502	1,875

E. Income tax expenses (income) included in the statement of income

	For the year ended December 31		
	2022	2021	2020
	NIS thousands		
Current taxes	43,303	40,731	37,667
Deferred taxes, see also D above	(13,499)	(3,329)	(8,839)
Taxes in respect of prior years	6,182	4,178	(2,477)
	35,986	41,580	26,351

Current taxes in Israel are calculated according to an average tax rate of 7.5% of taxable profit (2021 – 7.5%).

Note 20 - Taxes on Income (cont'd)

F. Theoretical tax

Presented below is the reconciliation of the tax amount which would have applied had all income and expenses, gains and losses in the statements of income and other comprehensive income been taxable at the statutory tax rate, with the amount of income taxes carried in the statement of income:

	For the year ended December 31		
	2022	2021	2020
	NIS thousands		
Income before income tax	263,735	281,834	194,799
Statutory tax rate	23%	23%	23%
Tax calculated according to the statutory tax rate:	60,659	64,822	44,804
Decrease in income tax due to the following factors:			
Tax benefit arising from preferred income tax rates under the Encouragement Law	(33,652)	(22,715)	(11,588)
Non-deductible expenses for tax purposes and exempt earnings (including, inter alia, the cost of share-based payment)	588	1,125	905
Taxes arising from different tax rates in consolidated companies outside of Israel	(2,422)	(1,927)	(1,144)
Revision of deferred tax balances in respect of changes in tax rates	216	478	23
Revision of deferred tax balances in respect of carryforward tax losses	3,954	(4,470)	(4,280)
Tax paid in respect of trapped earnings	15,649	4,178	-
Tax refunds in respect of prior years	(9,467)	-	(2,477)
Others	461	89	108
Taxes on income	35,986	41,580	26,351

In 2022, the average tax rate was 13.6%, and in 2021 and 2020, the average tax rate was 14.8% and 13.5%, respectively.

Note 21 - Contingent Liabilities and Commitments

A. Contingent liabilities

As of December 31, 2022, the Company has no material contingent liabilities.

B. Commitments

1. Lease agreements in respect of buildings

a. For information on the lease agreement for buildings between the Group and the Kibbutz, see Note 31G.

b. In December 2105, an agreement was signed for the lease of buildings in which the additional production site in Dalton Industrial Park was built and is operated. Under this agreement, the production site covers a built-up area of around 4,000 square meters. The monthly rent is NIS 120 thousand, CPI-linked, and the rent will be increased by 10% once every 5 years. The lease term is 15 years, and after the end of a 5-year period and every two years until the end of the lease term, the Company will be entitled to terminate the lease provided that it has given written notice at least 6 months in advance.

In June 2020, an agreement was signed for the lease of two adjacent industrial buildings in Dalton Industrial Park, of a total built-up area of 6,000 square meters. The buildings serve as a raw material warehouse and a production hall. The monthly rent for each of the buildings is NIS 102 thousand and will be raised by 5% at the end of each 5 years. The lease term is 15 years, which began on October 1, 2020 for the raw material warehouse, and for the production hall, the lease term began on January 1, 2021, upon the completion of construction and delivery of the buildings. The Company has the right to terminate the agreement after 10 years.

In October 2021, an agreement was signed for the leasing of two additional adjacent industrial buildings in Dalton Industrial Park, of a total area of 5,529 square meters. The buildings will serve as a raw material warehouse and organizing space for operations. The monthly rent for both buildings will be NIS 199 thousand and will be raised by 5% after 10 years. The buildings were delivered to the Company in August 2022.

c. On December 20, 2016, the consolidated company in France signed a lease agreement for 800 square meters of office space and 4,100 square meters of warehouse space, in consideration of monthly rent of EUR 30 thousand. The term of the agreement is 9 years, beginning on January 1, 2017. The lease agreement permits full or partial termination of the engagement beginning in January 2019, with payment of agreed compensation of EUR 60 thousand to EUR 80 thousand, depending on the termination date and the size of the area.

In April 2015, the consolidated company in France signed a lease agreement for 300 square meters of office space. The monthly rent is EUR 7 thousand. The lease agreement is due to expire in March 2024.

In July 2016, the consolidated company in France signed a lease agreement for 110 square meters of office space. The monthly rent is EUR 1 thousand. The lease agreement is due to expire in July 2025.

Note 21 - Contingent Liabilities and Commitments (cont'd)

B. Commitments (cont'd)

1. Lease agreements in respect of buildings (cont'd)

c. (cont'd)

In October 2018, the consolidated company in France signed a lease agreement for 1,533 square meters of warehouse space. The monthly rent is EUR 10 thousand. The lease agreement will expire in October 2028, but includes an option to terminate the agreement in October 2024 or in October 2027, without payment of compensation, or alternatively, to terminate the agreement at any time, with payment of compensation at an amount of 6 months' rent.

d. In December 2017, the consolidated company in the United States signed a lease agreement for 4,000 square meters of office and warehouse space. The monthly rent is USD 26 thousand. The lease agreement is due to expire in April 2028. The consolidated Company in the US has other lease agreements in respect of ECCXI's business, for the leasing of office and warehouse space. The monthly rent is USD 47 thousand, and the agreements are due to expire in the years 2024-2027.

e. The Company in Australia has 6 lease agreements for office and warehouse space of a total area of 7,039 square meters. The total monthly rent is AUD 63 thousand, and the agreements are due to expire in the years 2023-2028.

f. The Company in Germany has a lease agreement for office and warehouse space of a total area of 8,250 square meters. The monthly rent is EUR 11.4 thousand. In December 2022 the agreement was renewed for another year and is due to expire in December 2023, but includes an early termination option subject to 6 months' advance notice.

g. The Company in Spain has a lease agreement for 120 square meters of office space. The monthly rent is EUR 2 thousand. The term of the agreement is until July 2023, but includes a one-year extension option.

2. The Group has lease agreements for 254 vehicles, for periods ending until 2025. The total annual lease fees in respect of these vehicles are NIS 9,194 thousand.

Note 22 - Other Liabilities

Composition:

	December 31	
	2022	2021
	NIS thousands	
Options in respect of Kibbutz members - see Note 24G	359	2,427
Provisions - see Note 25	3,788	3,204
Other liabilities	1,639	1,352
	5,786	6,983

Note 23 - Equity

A. Composition of share capital

	December 31		
	2022 and 2021	2022	2021
	Authorized	Issued and outstanding	
	Number of shares in thousands		
Ordinary shares of NIS 0.1 par value each	120,000	109,514	109,324

B. Rights attached to shares

1. The rights granted to ordinary shareholders include the right to participate in general meetings, the right to receive profits, the right to participate in the distribution of the Company's assets on winding-up, and any other right attached to the shares.

2. The shares are listed on the Tel Aviv Stock Exchange.

C. Treasury shares - Company shares held by the Company

The interests of the Company in the Company's shares are as follows:

	December 31, 2021 and 2022
Shares	80,372
Rate of issued capital (%)	0.07
Cost (NIS thousands)	500

D. Capital reserve from transactions with controlling shareholder

Assets and liabilities in which respect a transaction was executed between the Company and its controlling shareholder, or between companies under common control, are recognized on the transaction date at fair value. The difference between fair value and the consideration which was determined in the transaction is carried to equity. A negative difference essentially constitutes a dividend, and therefore reduces retained earnings. A positive difference essentially constitutes an owner investment, and is therefore presented in a separate item under equity, "capital reserve in respect of transactions with controlling shareholder".

E. Dividends

1. On March 24, 2021, the Company distributed a dividend to shareholders at an amount of NIS 45 million, gross, and an amount of NIS 0.4134 per share.
2. On August 17, 2021, the Company distributed a dividend to shareholders at an amount of NIS 75 million, gross, and an amount of NIS 0.6867 per share.
3. On March 23, 2022, the Company distributed a dividend to shareholders at an amount of NIS 60 million, gross, and an amount of NIS 0.5492 per share.
4. On August 16, 2022, the Company distributed a dividend to shareholders at an amount of NIS 65 million, gross, and an amount of NIS 0.5946 per share.

Note 23 - Equity (cont'd)

F. Adjustments arising from translation of financial statements

The reserve is used to record changes in the exchange rates of foreign currencies, arising from the translation of the financial statements of subsidiaries which constitute foreign operations.

G. Capital management in the Company

The Company's objective in managing its capital is:
To preserve the Group's ability to ensure the continuity of its business, and thereby generate returns for its shareholders, investors and other interested parties.
The Company strives to achieve a return on equity at the customary level for the industry and field of activity in the markets where the Company is engaged. These returns are subject to changes in accordance with the market factors which apply in the Company's activity segment and business environment. The Company is not subject to any requirements regarding minimum required capital, or achieving a certain level of return on equity.

H. Bonus shares

On March 30, 2017, the Company's Board of Directors resolved to distribute 5 million bonus shares of NIS 0.1 par value each, for the purpose of complying with the terms of the Investment Center's letter of approval. The distribution of bonus shares amounted to 4.87% of the issued and paid-up capital. The bonus shares were distributed on April 19, 2017.

Note 24 - Share-Based Payment Transactions

A. Expense recognized in the financial statements

The expense that was recognized in the financial statements in respect of services received from employees is presented in the following table:

	For the year ended December 31		
	2022	2021	2020
	NIS thousands		
Equity-settled share-based payment plans	11,311	8,327	4,350
Cash-settled share-based payment plans	(1,147)	3,323	4,196
Total expense recognized in respect of share-based payment transactions	10,164	11,650	8,546

B. On February 6, 2018, the Company's Remuneration Committee decided to adopt an option plan for the allocation of up to 4,000,000 options to the Company's employees and managers, which, after having been fully exercised for shares, will constitute approximately 3.7% of the Company's issued and paid-up share capital. The plan is based on a cashless exercise and is based on intrinsic value only, and accordingly, the actual number of shares is expected to less than that stated above.

On February 13, 2018, the Company's Board of Directors approved the grant of options to Company employees, as set forth below.

Note 24 - Share-Based Payment Transactions (cont'd)

C. Equity-settled share-based payment plan for the Company CEO and Company executives

On February 13, 2018, 2,682,000 options were allotted to Company managers who are not Kibbutz members. The grant to managers also included the allocation of 313,000 options to the-then Company CEO, Mr. Eyal Tryber. The exercise price of the options was set at NIS 18.47 per share.
The options will each be exercisable for one ordinary share of the Company of NIS 0.1 par value.
The options will vest in three annual tranches of 25% after one year, 25% after two years, and 50% after three years. All options will be exercised in a cashless exercise.
The intrinsic value of the options was calculated according to the principles determined in IFRS 2, using the calculation formula which is based on the binomial model, with an annual standard deviation of 24.2%, based on the share price on the grant date of NIS 17.38 per share, a risk-free interest rate of 1%, an early exercise factor of 220%/280%, and a forfeiture rate of 6.7%. The overall economic value of the fair value of the options allocated as of the grant date was set at NIS 11.1 million.

On March 20, 2019, 523,000 additional options were allocated to Company managers who are not Kibbutz members. The exercise price of the options was set at NIS 23.97 per share.
The options will each be exercisable for one ordinary share of the Company of NIS 0.1 par value.
The options will vest in three annual tranches of 25% after one year, 25% after two years, and 50% after three years. All options will be exercised in a cashless exercise.
The intrinsic value of the options was calculated according to the principles determined in IFRS 2, using the calculation formula which is based on the Black-Scholes model, with an annual standard deviation of 24.8%, based on the share price on the grant date of NIS 23.97 per share, and a risk-free interest rate of 1.2%. The overall economic value of the fair value of the options allocated as of the grant date was set at NIS 3 million.

On May 25, 2020, the Company's Board of Directors resolved to grant another 833,000 options to Company managers and service providers. The options are convertible into ordinary shares of the Company of NIS 0.1 par value each. The exercise price of the options was set at NIS 29.75 per share. The vesting terms of the options are: 25% after one year, 25% after two years, and 50% after three years. All options will be exercised in a cashless exercise. The intrinsic value of the options was calculated according to the principles determined in IFRS 2, using the calculation formula which is based on the Black-Scholes model, with an annual standard deviation of 36.9%, based on the share price on the grant date of NIS 29.75 per share, and a risk-free interest rate of 0.5%. The overall economic value of the fair value of the options allocated as of the grant date was set at NIS 6 million.

On May 25, 2021, following approval by the Company's Remuneration Committee on May 23, 2021, the Board of Directors resolved to publish an outline for the allotment of up to 1,134,299 options, convertible into 1,134,299 ordinary shares. On June 7, 2021, the Company published an outline in accordance with the foregoing.

Note 24 - Share-Based Payment Transactions (cont'd)

C. Equity-settled share-based payment plan for the Company CEO and Company executives (cont'd)

In addition, on May 25, 2021, the Board of Directors of the Company resolved to grant 1,010,000 options to Company employees and managers, of which 1,000,000 options were actually granted. The options are convertible into ordinary shares of the Company of NIS 0.1 par value each, for an exercise price of NIS 66.89. The vesting terms 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 in a cashless exercise. The estimated fair value of the options granted on the date of the Board of Directors' approval was set at NIS 17.2 million. Following are the data used to measure the fair value of the options on the grant date, according to the Black-Scholes model, with respect to the above plan: share price – NIS 64.32; volatility – 38.5%; expected life of the options – 4 years; risk-free interest rate – 0.4067%; forfeiture rate – 9%.

On June 30, 2021, the Board of Directors of the Company resolved to grant 85,000 options to Company managers and service providers. The options are convertible into ordinary shares of the Company of NIS 0.1 par value each, for an exercise price of NIS 67.61. The vesting terms 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 in a cashless exercise. The estimated fair value of the options granted on the date of the Board of Directors' approval was set at NIS 1.6 million. Following are the data used to measure the fair value of the options on the grant date, according to the Black-Scholes model, with respect to the above plan: share price – NIS 67.61; volatility – 38.7%; expected life of the options – 4 years; risk-free interest rate – 0.4584%; forfeiture rate – 9%.

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. On February 24, 2022, the Company published an outline in accordance with the foregoing.

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, for an exercise price 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 in a cashless exercise. 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%.

Note 24 - Share-Based Payment Transactions (cont'd)

C. Equity-settled share-based payment plan for the Company CEO and Company executives (cont'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, for an exercise price 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%.

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, for an exercise price 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%.

D. Changes during the year

The following table presents the changes in the number of share options and their weighted average exercise prices:

	2022		2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		NIS		NIS
Share options at beginning of year	2,301,965	45.11	2,596,499	22.57
Share options granted during the year	1,017,500	63.09	1,085,000	66.95
Share options forfeited during the year	(324,500)	48.06	(50,000)	41.59
Share options exercised during the year	(375,406)	26.15	(1,329,534)	19.04
Share options at end of year	2,619,559	54.45	2,301,965	45.11
Share options exercisable at end of year	921,434	35.65	514,715	23.05

Note 24 - Share-Based Payment Transactions (cont'd)

E. In the reporting period, employees, service providers and senior officers of the Company exercised 375,406 options for the purchase of ordinary shares of the Company, in a cashless exercise. 190,167 ordinary shares of the Company were issued to employees, service providers and officers of the Company as a result of the exercise.

F. Exercise prices for the share options as of December 31, 2022 ranged between NIS 18.47-74.02.

G. Cash-settled share-based payment transactions

1. On February 13, 2018, Kibbutz Yizre'el - Workers Cooperative Association Ltd. (hereinafter: the "Kibbutz"), the Company's controlling shareholder, was granted a monetary benefit which is equivalent to the options granted to the Company's senior employees – phantom options, in respect of the Kibbutz employees who serve in senior positions in the Company (hereinafter: "Executives on Behalf of the Kibbutz"). The monetary benefit is based on the theoretical allocation of 145,000 options, which grant a monetary right of equal value to the purchase of 145,000 ordinary shares of the Company.
The exercise price of each option is NIS 18.47, linked to the CPI. The options are exercisable in three annual tranches of 25% after one year, 25% after two years, and 50% after three years.

2. On March 20, 2019, the Kibbutz, which is the Company's controlling shareholder, was granted a monetary benefit which is equivalent to options granted to the Company's senior employees – phantom options, in respect of Executives on Behalf of the Kibbutz. The monetary benefit is based on the theoretical allocation of 45,000 options, which grant a monetary right of equal value to the purchase of 45,000 ordinary shares of the Company.
The exercise price of each option is NIS 23.97, linked to the CPI. The options are exercisable in three annual tranches of 25% after one year, 25% after two years, and 50% after three years.

3. On May 25, 2020, the Kibbutz, which is the Company's controlling shareholder, was granted a monetary benefit which is equivalent to options granted to the Company's senior employees – phantom options, in respect of Executives on Behalf of the Kibbutz. The monetary benefit is based on the theoretical allocation of 40,000 options, which grant a monetary right of equal value to the purchase of 40,000 ordinary shares of the Company.
The exercise price of each option is NIS 29.75, linked to the CPI. The options are exercisable in three annual tranches of 25% after one year, 25% after two years, and 50% after three years.

4. On May 25, 2021, the Kibbutz, which is the Company's controlling shareholder, was granted a monetary benefit which is equivalent to options granted to the Company's senior employees – phantom options, in respect of Executives on Behalf of the Kibbutz. The monetary benefit is based on the theoretical allocation of 45,000 options, which grant a monetary right of equal value to the purchase of 45,000 ordinary shares of the Company.
The exercise price of each option is NIS 66.89, linked to the CPI. The options are exercisable in four annual tranches of 25% after one year, 25% after two years, 25% after three years and 25% after four years.

Note 24 - Share-Based Payment Transactions (cont'd)

G. Cash-settled share-based payment transactions (cont'd)

5. On May 17, 2022, the Kibbutz, which is the Company's controlling shareholder, was granted a monetary benefit which is equivalent to options granted to the Company's senior employees – phantom options, in respect of Executives on Behalf of the Kibbutz. The monetary benefit is based on the theoretical allocation of 45,000 options, which grant a monetary right of equal value to the purchase of 45,000 ordinary shares of the Company.
The exercise price of each option is NIS 59.71, linked to the CPI. The options are exercisable in four annual tranches of 25% after one year, 25% after two years, 25% after three years and 25% after four years.

6. In 2020, the Kibbutz exercised 83,750 phantom options, in consideration for NIS 2,695 thousand.

7. In 2021, the Kibbutz exercised 93,750 phantom options, in consideration for NIS 3,905 thousand.

8. In 2022, the Kibbutz exercised 32,500 phantom options, in consideration for NIS 920 thousand.

9. The intrinsic value of the options granted was calculated at the end of each reporting period according to the principles defined in IFRS 2, using the calculation formula based on the Black-Scholes model.

Note 25 - Provisions

	Warranty provision	Legal claims	Other	Total
	NIS thousands			
Balance as of January 1, 2022	16,868	356	1,411	18,635
Translation adjustments	1,353	(91)	6	1,268
Amounts paid	-	(134)	-	(134)
Amounts cancelled	-	(131)	-	(131)
Amounts classified	-	-	(1,417)	(1,417)
Provisions made in the year	5,363	375	-	5,738
Balance as of December 31, 2022	23,584	375	-	23,959

	December 31	
	2022	2021
	NIS thousands	
Presented in the statement of financial position under:		
Current liabilities	20,171	15,431
Non-current liabilities	3,788	3,204
	23,959	18,635

Note 25 - Provisions (cont'd)

Provision for warranty

The provision was recognized for expected warranty claims in respect of products which were purchased in the last two years, based on the Company's past experience regarding repairs and returns. The Company expects that it will bear most of these costs in the coming year, and all of the costs within two years after the reporting date. The assumptions which were used to calculate the warranty provision were based on the Company's current sale levels, and on currently available information regarding returns, based on the two year warranty which is given for all products sold.

Legal claims

See Note 21A.

Note 26 - Charges

To secure fulfillment of the conditions for approval of the investment plan granted to the Company pursuant to the Encouragement of Capital Investments Law, 1959, an unlimited floating charge was recorded in favor of the State of Israel in respect of all of the Company's machinery, equipment, tools, appliances and facilities.

Note 27 - Additional Information Regarding Items of Profit or Loss

	For the year ended December 31		
	2022	2021	2020
	NIS thousands		
A. Sales revenue			
In Israel	28,154	25,797	19,233
Foreign countries	1,758,742	1,383,598	1,057,647
	1,786,896	1,409,395	1,076,880
B. Cost of sales			
Materials	1,143,411	658,551	464,815
Employee services	8,695	7,451	6,674
Wages, salaries and related expenses	170,474	128,627	91,925
Leasing of buildings	3,599	1,960	1,710
Maintenance and operation of equipment and machinery	33,375	25,184	17,929
Depreciation and amortization	49,462	41,394	35,291
Other manufacturing expenses	43,859	29,298	22,291
	1,452,875	892,465	640,635
Increase in inventory of goods in process and finished goods	(384,288)	(76,333)	(15,103)
	1,068,587	816,132	625,532
C. Research and development expenses			
Employee services	1,846	1,631	1,590
Wages, salaries and related expenses	33,712	28,881	19,215
Depreciation	2,317	2,102	1,757
Materials	14,766	13,968	9,874
	52,641	46,582	32,436
D. Selling and marketing expenses			
Employee services	2,394	3,153	2,692
Wages, salaries and related expenses	86,096	74,709	58,883
Advertising and sales promotion	76,766	44,649	37,427
Shipping costs	66,477	28,375	18,936
Depreciation and amortization	6,355	4,522	3,429
	238,088	155,408	121,367

Note 27 - Additional Information Regarding Items of Profit or Loss (cont'd)

	For the year ended December 31		
	2022	2021	2020
	NIS thousands		
E. General and administrative expenses			
Management fees	2,303	2,303	2,519
Employee services	2,489	3,822	3,923
Wages, salaries and related expenses	62,865	52,533	43,482
Legal and consulting fees	13,786	10,617	8,885
Office expenses	22,431	17,812	12,560
Bad and doubtful debts	335	184	53
Depreciation and amortization	11,544	8,193	6,313
Overseas travel	1,626	686	618
Vehicles	1,400	810	446
Entertainment, culture and wellbeing	3,587	5,736	2,964
Others	12,553	10,857	7,567
	134,919	113,553	89,330
F. Finance income			
Foreign currency transactions	-	33,913	-
Income in respect of exchange differences, net	15,263	-	-
Interest income from short-term investments	302	354	381
Interest income from bank deposits	124	117	86
	15,689	34,384	467
G. Finance expenses			
Finance expenses in respect of credit	16,487	4,424	4,014
Expenses in respect of exchange differences, net	-	21,395	1,347
Foreign currency transactions	21,645	-	3,470
Finance expenses in respect of leases	4,265	3,159	2,674
Fee expenses to banks and others	2,247	1,178	2,376
	44,644	30,156	13,881

Note 28 - Net Earnings per Share

Information regarding the number of shares and profit used to calculate net EPS

	For the year ended December 31					
	2022		2021		2020	
	Weighted number of shares	Net income attributable to equity holders of the Company	Weighted number of shares	Net income attributable to equity holders of the Company	Weighted number of shares	Net income attributable to equity holders of the Company
	Thousands	NIS thousands	Thousands	NIS thousands	Thousands	NIS thousands
Number of shares and profit used to calculate basic net EPS	109,317	218,296	109,027	224,012	108,111	154,280
Impact of dilutive potential ordinary shares	364	-	734	-	1,001	-
Number of shares and profit used to calculate diluted net EPS	109,681	218,296	109,761	224,012	109,112	154,280

Note 29 - Operating Segments

A. General

The operating segments were determined based on the information which is evaluated by the Chief Operating Decision Maker (CODM) for the purpose of decision making regarding resource allocation and performance assessment. Accordingly, for management purposes, the Group is structured according to operating segments, based on the products and services of the business units, and has the following three 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 pool products	-	In this segment, the Company manufactures and markets home pool alarms, drowning detection and prevention systems for private and public pools, and is engaged in the manufacture and marketing of covers for home swimming pools. Related products include supplementary products for swimming pools made by various manufacturers, such as solar heating systems, glass filtration media and water heaters.

Note 29 - Operating Segments (cont'd)

A. General (cont'd)

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. 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 on the Group level and are not attributed to operating segments.

B. Report on operating segments

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

	Manufacture of private pool robotic cleaners	Manufacture of public pool robotic cleaners	Pool safety products and related pool products	Total
	NIS thousands			
For the year ended December 31, 2021				
Total revenues from externals	1,192,105	76,534	140,756	1,409,395
Total segmental income	500,127	41,360	51,776	593,263
Unallocated shared expenses				(315,543)
Other expenses, net				(114)
Finance income, net				4,228
Income before income tax				281,834

Note 29 - Operating Segments (cont'd)

B. Report on operating segments (cont'd)

	Manufacture of private pool robotic cleaners	Manufacture of public pool robotic cleaners	Pool safety products and related pool products	Total
	NIS thousands			
For the year ended December 31, 2020				
Total revenues from externals	911,249	64,611	101,020	1,076,880
Total segmental income	378,098	34,664	38,586	451,348
Unallocated shared expenses				(243,133)
Other expenses, net				(2)
Finance expenses, net				(13,414)
Income before income tax				194,799

C. Geographical information

1. Sales by geographical market (by customer location):

	For the year ended December 31		
	2022	2021	2020
	NIS thousands		
Europe	638,519	618,935	461,368
North America	900,258	574,105	437,164
Oceania	176,481	157,554	128,538
ROW	71,638	58,801	49,810
	1,786,896	1,409,395	1,076,880

2. Fixed assets (fixed assets, net, right-of-use assets, net and intangible assets, net), according to their geographical location:

	December 31	
	2022	2021
	NIS thousands	
Israel	468,212	346,704
Europe	59,798	59,037
North America	99,479	6,829
Oceania	14,671	12,021
	642,160	424,591

Note 29 - Operating Segments (cont'd)

D. Main customers

	For the year ended December 31		
	2022	2021	2020
	NIS thousands		
Turnover from customer A	493,427	397,419	308,581
	Percent of total sales		
Customer A	27.6%	28.2%	28.7%

Note 30 - Financial Instruments

A. Classification of financial assets and financial liabilities

	December 31	
	2022	2021
	NIS thousands	
Financial assets		
Cash and cash equivalents	120,891	237,779
Financial assets at fair value through profit or loss:		
Forward contracts on foreign currency	-	24,070
Financial assets classified as held for trading	17,617	19,620
Total financial assets at fair value through profit or loss	17,617	43,690
Financial assets at amortized cost:		
Trade receivables	239,225	159,591
Financial liabilities		
Interest bearing loans and current credit:		
Short-term loan from bank and others	477,422	282,766
Total interest bearing loans and current credit	477,422	282,766
Financial liabilities at fair value through profit or loss:		
Other financial liabilities measured at amortized cost	552,264	467,909
Interest bearing loans and non-current credit:		
Loan from banking corporation	248,157	62,671

Note 30 - Financial Instruments (cont'd)

B. Management's goals and policies for the management of financial risks

The Company's main financial liabilities are comprised of loans and credit. These financial liabilities are mostly intended to finance the Company's operations and to provide guarantees to support its operations. The Company's main assets include other accounts receivable and cash, which directly arise from the Company's activity.
The Company is exposed to market risk and credit risk. The Company's senior management oversees the management of these risks. Risk management is performed in accordance with the policy approved by the Board of Directors. The Board of Directors prescribes principles for overall risk management, as well as specific policy regarding certain risk exposures, such as exchange rate risk, credit risk and the use of financial instruments and investments of liquidity reserves.

1. Market risk
Market risk is the risk that the fair value of future cash flows from a financial asset will change as a result of changes in market prices. Market risk includes three types of risk: interest rate risk, currency risk, and other price risks such as share price risk and commodity price risk. Financial instruments which are subject to market risk include, inter alia, loans, credit and deposits.

The sensitivity analysis presented in the section below refers specifically to positions as of December 31, 2022 and 2021.

The sensitivity analysis was conducted assuming that the amount of net debt, the variable-to-fixed-interest ratio in respesct of debt and derivatives, and the ratio of foreign currency instruments remain constant.
The sensitivity analysis does not include the impact of changes in market variables on the amortized cost of pensions and other post-employment benefits, provisions, and non-financial assets and liabilities of foreign operations.
The sensitivity analysis of the statement of financial position refers to derviatives and investments in debt instruments measured at fair value.

2. Foreign currency risk
The Group operates internationally and is exposed to exchange rate risk due to exposure to various currencies, primarily the EUR and the USD. Exchange rate risk arises from future commercial transactions, from assets and liabilities which have been recognized and are denominated in foreign currency that is not the functional currency, and from net investments in foreign operations. The Company's managers are responsible for managing the net position of each foreign currency using currency forward contracts.

As of December 31, 2022, the Company has an excess of financial liabilities over financial assets in USD against the NIS amounting to NIS 139,725 thousand (on December 31, 2021 - an excess of NIS 505 thousand of financial assets over financial liabilities).
As of December 31, 2022, the Company has an excess of financial assets over financial liabilities in AUD against the NIS amounting to NIS 37,349 thousand (on December 31, 2021 - NIS 49,980 thousand).
As of December 31, 2022, the Company has an excess of financial assets over financial liabilities in EUR against the NIS amounting to NIS 53,959 thousand (on December 31, 2021 - NIS 89,140 thousand).

Note 30 - Financial Instruments (cont'd)

B. Management's goals and policies for the management of financial risks (cont'd)

2. Foreign currency risk (cont'd)

The Company manages its foreign currency risk through hedging transactions, most of which will be realized within 12 months.

The Company hedges its exposure to volatility in the translation of its foreign operations into NIS by holding net loans in foreign currency and through currency forward and swap contracts.

On December 31, 2022 and 2021, the Company hedged 67% and 66% of its expected cash flow exposure in foreign currency, respectively. As of the reporting date, these transactions are highly probable.

Sensitivity analysis – foreign currency:
The following table presents sensitivity to reasonably possible changes in USD, AUD, and EUR exchange rates, with all other variables remaining constant. The effect on the Company's pre-tax profit is in respect of changes in the fair value of monetary assets and liabilities. The Company's exposure to changes in foreign currency in all other currencies is immaterial.

	December 31	
	2022	2021
	NIS thousands	
Sensitivity test to changes in the EUR exchange rate		
Profit (loss) from the change		
Exchange rate increase of 10%	5,418	10,474
Exchange rate decrease of 10%	(5,418)	(10,474)

	December 31	
	2022	2021
	NIS thousands	
Sensitivity test to changes in the USD exchange rate		
Profit (loss) from the change		
Exchange rate increase of 10%	(12,008)	51
Exchange rate decrease of 10%	12,008	(51)

	December 31	
	2022	2021
	NIS thousands	
Sensitivity test to changes in the AUD exchange rate		
Profit (loss) from the change		
Exchange rate increase of 10%	3,705	4,956
Exchange rate decrease of 10%	(3,705)	(4,956)

Note 30 - Financial Instruments (cont'd)

B. Management's goals and policies for the management of financial risks (cont'd)

3. Share price risk

For the Company's investments in marketable financial instruments on the stock exchange, securities, stocks and bonds and financial assets measured at fair value through profit and loss, sensitivity to market price risk arises from uncertainties regarding the future value of these investments. The Company manages the price risk by diversifying its investment portfolio, and by limiting its investment in stocks in general.

As of the reporting date, the Group's exposure arising from investments in financial instruments measured at fair value amounts to NIS 17,617 thousand. A 10% increase or decrease in the prices of marketable securities on the stock exchange could result in an effect of approximately NIS 1,762 thousand on profit or loss.

4. Balance of trade receivables

The Company makes sales to its customers on credit terms of 0-120 days. The Company regularly insures the debts of most of its customers and routinely assesses the credit granted to unsecured customers, including an in-depth evaluation of their environmental financial conditions. Additionally, the Company occasionally requires collateral from its customers, such as letters of credit or prepayments. The Company makes a provision for doubtful debts based on factors which affect the credit risk of certain customers, past experience and other information.

The Company continuously monitors customer debts, and the financial statements include provisions for doubtful debts which the Company believes adequately reflect the losses inherent in doubtful debts.

5. Financial instruments and deposits

The Company hold cash and cash equivalents, short-term and long-term investments and other financial instruments in various financial institutions. These financial institutions are located in Israel and in the US, and it is the Company's policy to spread its investments between the different institutions. In accordance with the Company's policy, the relative credit stability of the various financial institutions is assessed on an ongoing basis. The deposits are deposited in the highest rated financial corporations in Israel.

C. Sensitivity tests and main working assumptions

The selected changes in the relevant risk variables were defined based on management's estimates regarding reasonably possible changes in these variables.

The Company performed sensitivity tests to the main market risk factors which could affect the reported operating results or financial position. The sensitivity tests present the profit or loss and/or changes in equity (before tax) for each financial instrument in respect of the relevant selected risk variable, as of each reporting date. The risk factors were assessed based on the materiality of the exposure of the operating results or financial position in respect of each risk factor, in reference to the functional currency and assuming that all other variables remain constant.

The risk for marketable investments with a quoted market price (trading price) is based on possible changes in said market prices.

Note 31 - Transactions and Balances with the Controlling Shareholder and Related Parties

A. Balances with interested parties and related parties

	For conditions, see Note	As of December 31	
		2022	2021
		NIS thousands	
		Controlling shareholder	
Trade payables		44	-
Other accounts payable	31E-H	5,133	(*) 4,013
Current maturities of lease liabilities	31G	6,916	6,977
Lease liabilities	31G	30,315	35,852

B. Transactions with related parties and interested parties

	For the year ended December 31		
	2022	2021	2020
	NIS thousands		
Payroll and related expenses for employees of the Company or on its behalf (including share-based payment)	4,167	(*) 3,574	2,056
Fees for directors who are not employed by the Company or on its behalf	446	479	414

(*) Refers to the outgoing Company CEO and the incumbent CEO.

Note 31 - Transactions and Balances with the Controlling Shareholder and Related Parties (cont'd)

B. Transactions with related parties and interested parties (cont'd)

	For the year ended December 31		
	2022	2021	2020
	NIS thousands		
Management fees for directors on behalf of the controlling shareholder who are not employed by the Company or on its behalf (**)	2,303	2,303	2,519

(**) Following Amendment 16 to the Companies Law, including management fees and fixed compensation for directors on behalf of the controlling shareholder who are not employed by the Company or on its behalf, in consideration for management services and the transfer of knowledge, see Note 31F.

Number of people to whom the salary and benefits apply			
Related parties and interested parties employed by the Company or on its behalf	1	(*) 2	1
Directors who are not employed by the Company	3	3	3
Directors on behalf of the controlling shareholder who are not employed by the Company or on its behalf	6	6	6
	10	11	10

(*) Refers to the outgoing Company CEO and the incumbent CEO.

On November 26, 2021, Mr. Eyal Tryber concluded his term of office as Company CEO. On the same date, Mr. Sharon Goldenberg replaced Mr. Tryber as Company CEO. Mr. Goldenberg previously served as Vice President of the Company's Business Division.

C. Transactions with interested parties and related parties

Transactions with the controlling shareholder:

	For the year ended December 31		
	2022	2021	2021
	NIS thousands		
Management fees (see 31F)	2,303	2,303	2,519
Employee services (see 31E)	9,405	12,846	12,715
Depreciation expenses in respect of leases (see 31G)	7,150	6,225	5,437
Finance expenses in respect of leases (see 31G)	1,080	1,124	1,129
Miscellaneous other services	2,819	1,428	826
Provision of services (see 31H)	582	582	582
	23,339	24,508	23,208

Note 31 - Transactions and Balances with the Controlling Shareholder and Related Parties (cont'd)

D. Income and expenses from related parties and interested parties

Terms and conditions of transactions with related parties
Purchases from related parties are executed at market prices. Unpaid balances at year end are not secured, do not bear interest, and are settled in cash. No guarantees in respect of amounts receivable or payable were received or given.

E. Employee services from members of Kibbutz Yizre'el

Since January 1, 2004, an agreement has been in effect, under which the Kibbutz provides to the Company, upon its request, manpower services rendered by Kibbutz members and/or candidates for membership and/or Kibbutz residents.
The Company undertook to pay to the Kibbutz a monthly consideration for the services of the Kibbutz employees, calculated according to the number of work hours provided by the Kibbutz multiplied by a fixed rate per hour worked (hereinafter: the "Fixed Rate"), plus any benefit, bonus, gift or their economic value to the Company, which shall be paid by the Company to all employees.

Following Amendment 16 to the Companies Law and following the Audit Committee's recommendation, on September 27, 2011, the Board of Directors approved a Fixed Rate per hour worked of NIS 105, beginning on January 1, 2012. The term of the agreement was set at 5 years from that date. The Board of Directors also approved that any update to the salary paid to the Kibbutz would be implemented immediately, according to cross-organizational wage changes in the Company.

In January 2017, the agreement for the supply of manpower was extended for an additional 5-year term, beginning on January 1, 2017 (hereinafter: the "Renewed Agreement"). As part of the Renewed Agreement, the Fixed Rate was set, which, as of December 2021, was NIS 132.9 per hour worked.

On January 1, 2022, the manpower agreement was renewed for an additional 5-year term. One year after the date whereon the agreement takes effect, each of the parties is entitled to terminate the agreement in a written notice to the counterparty, given 90 days in advance. In consideration for the supply of manpower, the Company will pay the Kibbutz a monthly payment calculated on the basis of the number of hours of work supplied by the Kibbutz, multiplied by the hourly rate, according to three categories: For the services of production and operations employees – NIS 62/hour; for the services of office staff – NIS 159/hour; and for manager services – NIS 215/hour. These rates will also apply to overtime and will be updated according to the increase in the wages of Company employees who are not Kibbutz members.

According to the manpower agreement, the Kibbutz will supply to the Company, upon its request, manpower services rendered by Kibbutz members (and candidates for membership) of a scope of 39 jobs (of 186 work hours per month/job), at the hourly rate mentioned above. If the Kibbutz employees are in practice employed overtime, over and above the scope of said 39 jobs, the Company will pay the Kibbutz an additional consideration at the same rate per hour worked, up to a maximum of 10% of the payment for 39 jobs. The Company may also from time to time increase the number of Kibbutz employees at the same hourly rate, according to the Company's needs and the Kibbutz's ability to make additional suitable manpower available to the Company (the Kibbutz has a preferential right to make such suitable manpower available, and the Company has a right to refuse this on reasonable grounds).

The Kibbutz will also provide manpower services rendered by other Kibbutz workers according to the Company's needs, as temporary employees, of a scope of up to 15% of the number of temporary employees employed at such time, at the same rate.

Note 31 - Transactions and Balances with the Controlling Shareholder and Related Parties (cont'd)

E. Employee services from members of Kibbutz Yizre'el (cont'd)

The Kibbutz provides the manpower services to the Company as an independent contractor, and employer-employee relations do not apply between the Company and the Kibbutz employees (the Kibbutz is obliged to indemnify the Company in the case of an argument claiming existence of an employment relationship with the Company). Furthermore, the Kibbutz has undertaken to be exclusively liable for its employees, and to purchase, at its expense, employer's liability insurance that covers all Kibbutz workers.

The agreement further determines that any significant change in the amount of the total consideration which is paid to the Kibbutz under the agreement, or in the number of Kibbutz members who are employed in the Company in relation to their number as of the date of execution of the manpower services agreement, will necessitate the receipt of the approvals required by law (approval by the Audit Committee, the Board of Directors and General Meeting).

F. Management fees and use of knowledge

On June 12, 2004, the Company and the Kibbutz signed an agreement regarding management fees and use of knowledge. The original term of the agreement was set at ten years, and in accordance with its terms and conditions, the agreement will be extended automatically for additional terms of three years each, unless either party has informed the counterparty, in writing, up to 3 months before the end of any term, of its desire not to renew the agreement. The initial term was to have expired on June 11, 2014.

However, on October 4, 2012, in accordance with the provisions of Amendment 16 to the Companies Law, 1999 ("Amendment 16"), the General Meeting of the Company resolved to revise and approve the renewal of the engagement in the June 12, 2004 agreement with the Kibbutz for the provision of management services and knowledge transfer, for a three-year term, (beginning on January 1, 2012), in accordance with the terms and conditions specified in the amended transaction report, which was published on September 12, 2012.

On October 20, 2014, the General Meeting of the Company approved the renewal of the management agreement with the Kibbutz for an additional three-year term, beginning on January 1, 2015, under the same terms conditions as those which were in effect on its expiration.

On August 7, 2018, the General Meeting of the Company approved the renewal of the management agreement with the Kibbutz for an additional three-year term, beginning on January 1, 2018, in consideration for a total payment of up to NIS 2,518,633 per year.

On January 4, 2021, the General Meeting of the Company approved the renewal of the management agreement with the Kibbutz for an additional three-year term, until December 31, 2023. The heads of the renewed agreement are:

A total payment of up to NIS 2,302,595 per year, according to the following breakdown: the sum of NIS 637,595 will be paid for the work of five directors on behalf of the Kibbutz as part of the work of the Board of Directors; the sum of NIS 900,000 will be for the service of the Chairman of the Board, and NIS 300,000 will be paid for the work of another director outside of board meetings. Of the latter two payments, payment of NIS 618,000 will be contingent on the accomplishment of targets which will be set for the Company CEO each year, in the portion pertaining to the Company's targets only; and NIS 465,000 will be paid for ensuring production availability.

Note 31 - Transactions and Balances with the Controlling Shareholder and Related Parties (cont'd)

G. Leasing of buildings

Since January 1, 2004, a lease agreement has been in effect between the Kibbutz and the Company (hereinafter: the "Lease Agreement"), under which the Kibbutz leases yard space and buildings to the Company for a 24-year term, from January 1, 2004 to December 31, 2027. The monthly rent was set at NIS 3.42/m^2 of yard space, NIS 12.47/m^2 of warehouses and sheds and NIS 21.51/m^2 of the building space, plus a fixed monthly sum of NIS 25 thousand. All amounts are linked to the CPI for June 2004 through to the actual payment date.

Commencing on January 1, 2010, the Company is entitled to terminate the Lease Agreement at any time, subject to 12 months' advance notice, provided that the resolution to terminate the agreement was passed by the Company's Board of Directors and according to the provisions of applicable law.

The Company undertook to insure the leased property at its own expense, and to add the Kibbutz as a beneficiary under the policy.

Following Amendment 16 to the Companies Law and at the recommendation of the Audit Committee, the Company's Board of Directors approved the continuation of the agreement between the Company and the Kibbutz, in accordance with the terms and conditions of the original agreement and for the term prescribed in the original agreement.

In light of the expansion of the Company's business over the years, on May 8, 2014 the General Meeting of the Company approved an addendum to the Lease Agreement (hereinafter: the "2014 Addendum to the Lease Agreement"), which included a framework transaction for the leasing of additional space and the construction of additional buildings for the Company's use, from the Kibbutz, adjacent to the plant building, under the same terms and conditions as those specified in the Lease Agreement (including the rent specified below). Under the Addendum to the Agreement, the Company leases additional space from the Kibbutz, on which the Kibbutz has built a building of approximately 2,330 square meters which is used by the Company as a warehouse, including offices, and 2,208 square meters of operational space serving the warehouse, for the remainder of the lease term and in accordance with the terms of the Lease Agreement and the current lease fees. The Company also has an option to expand the warehouse by another 1,800 square meters during the lease term, subject to the approval of the Company's Audit Committee - this option was exercised in 2014 to increase the warehouse space by an additional 236 square meters.

In August 2017, the Company's Audit Committee and Board of Directors approved the Company's engagement with the Kibbutz in another addendum to the Lease Agreement (hereinafter: the "2017 Addendum to the Lease Agreement"), determining that the addendum is consistent with the framework transaction. In accordance with the 2017 Addendum to the Lease Agreement, it was agreed to enlarge an additional 1,400 square meters of warehouse space, to convert 1,217 square meters of shed space into manufacturing space, and to convert 2,111 square meters of yard space into operational shed space. It was also agreed that the Company would have an option, exercisable until February 28, 2018, to rent a two-storey building of an area of up to 2,000 square meters, which would be built by the lessor on the premises of the production site in Yizre'el and will be used for manufacturing and office purposes. The building was completed and occupancy taken in April 2021.

Note 31 - Transactions and Balances with the Controlling Shareholder and Related Parties (cont'd)

G. Leasing of buildings (cont'd)

In March 2019, the Company's Audit Committee and Board of Directors approved the Company's engagement with the Kibbutz in an additional addendum to the lease agreement (hereinafter: the "New Addendum to the Lease Agreement"). The New Addendum to the Lease Agreement updates the expansion of warehouse space to 1,865 square meters (in lieu of 1,400 square meters according to the 2017 Addendum to the Lease Agreement) and includes the leasing of an open operational space, adjacent to the warehouse enlargement, including 500 square meters of sheds and 2,300 square meters of yard space, as well as preparation of an access road to the operational space. The above will apply for the remainder of the lease term, according to the terms and conditions of the lease agreement and the current lease fees. The Company and the Kibbutz bore the costs of the construction and planning works according to an index determined in the 2014 Addendum to the Lease Agreement. The building was delivered to the Company on August 1, 2020.

Additionally, in March 2019 the Audit Committee and Board of Directors approved the expansion of the office building, involving the construction of a two-storey building of a total area of 960 square meters. The building was completed and occupancy taken in August 2021.

On September 2, 2021, the General Meeting of the Company convened and approved the Company's engagement with the Kibbutz in a new lease agreement (hereinafter: the "New Lease Agreement"). According to the New Lease Agreement, the Company will lease additional space from the Kibbutz, on which, together with the Kibbutz, it will build a new office campus in phases, covering a built-up area of 13,000 square meters and 10,000 square meters of parking space and service areas. The new office campus will consist of 3 buildings: the Company HQ building, the Technologies building and the Regions and Customer Service building. The lease term will commence when the first project component is made available for the Company's use and will end 10 years after the date when the last project component is made available to the Company. The Company has options to extend the lease agreement, at its discretion, for two additional terms of five years each. In consideration for leasing the campus, the Company will pay the controlling shareholder yearly rent calculated according to an annual return of 6% on the planning and construction costs of the building envelopes, as approved by the Company, linked to the CPI. In March 2022, construction of the first building, the Technologies building, began, and is expected to be completed in October 2023; in June 2022, construction of the second building, Company HQ, began, and is expected to be completed in April 2024.

In January 2022, the Audit Committee and the Board of Directors approved the Company's engagement with the Kibbutz in an addendum to the lease agreement. The addendum includes additional sheds and warehouses of a total area of 2,450 square meters and 1,340 square meters of yard space.

As of December 2022, the Company leases 10,671 square meters as built-up areas, 20,790 square meters as yard space, and 15,934 square meters as warehouse and shed space. Following the increase in the CPI since March 2004, the monthly rent for the built-up areas, yard space and warehouse and shed space is NIS 28.47, NIS 4.93 and NIS 16.51/m^2, respectively.
Total monthly rent paid to the Kibbutz (including the fixed amount) is approximately NIS 723 thousand.
Following the adoption of IFRS 16, Leases, in these financial statements, in the reporting period the Company recorded depreciation expenses and finance expenses of NIS 7,150 thousand and NIS 1,080 thousand, respectively, in respect of the lease agreements.

Note 31 - Transactions and Balances with the Controlling Shareholder and Related Parties (cont'd)

H. Provision of services

Since January 1, 2004, an agreement has been effect for the regulation of services provided by the Kibbutz to the Company, which the Company requires for its activity, including maintenance and cleaning services, security services, telecommunication, emergency services, first aid, sanitation and meals in the Kibbutz dining room for the manpower made available to the Company by the Kibbutz (hereinafter: the "Services").

The Kibbutz undertook to provide the Services in accordance with the Company's instructions and requirements, in consideration for NIS 39 thousand per month. Payment for the Services will be updated once per year according to the increase in the CPI in the prior year (but will not be revised should the CPI decrease).

The term of the agreement was set at five years, until December 31, 2008, and was automatically renewed in accordance with its terms and conditions for an additional three-year term. Following Amendment 16 to the Companies Law and in accordance with the Audit Committee's recommendation, the Company's Board of Directors approved an extension of the agreement period, under the same conditions, for an additional five-year term beginning on January 1, 2012.

In 2016, the agreement for the provision of Services by the Kibbutz was extended for an additional five-year term beginning on January 1, 2017. In January 2022, the agreement was renewed for a further five years.

As of December 2022, after linkage to the CPI, the Company pays NIS 49 thousand per month for the provision of the Services.

Note 32 - Events After the Reporting Period

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

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