UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F

(Mark One)

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ______ to ______

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of event requiring this shell company report.

Commission File Number 001-35464

CAESARSTONE LTD.

(Exact name of Registrant as specified in its charter)

ISRAEL
(Jurisdiction of incorporation or organization)

Kibbutz Sdot-Yam
MP Menashe, 3780400
Israel
(Address of principal executive offices)

Yosef (Yos) Shiran
Chief Executive Officer
Caesarstone Ltd.
MP Menashe, 3780400
Israel
Telephone: +972 (4) 636-4555
Facsimile: +972 (4) 636-4400
(Name, telephone, email and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Securities Act of 1933:

Title of each class	Trading Symbol	Name of each exchange on which registered
Ordinary shares, par value NIS 0.04 per share	**CSTE**	**The Nasdaq Stock Market LLC**

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the issuer’s classes of capital or common stock as of December 31, 2023: **34,532,452 ordinary shares**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act:

Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934:

Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files):

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer" and "emerging growth company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐
Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes ☐ No ☒

PRELIMINARY NOTES

Introduction

As used herein, and unless the context suggests otherwise, the terms "Caesarstone," "Company," "we," "us" or "ours" refer to Caesarstone Ltd. and its consolidated subsidiaries. In this document, references to "NIS" or "shekels" are to New Israeli Shekels, and references to "dollars," "USD" or "$" refer to U.S. dollars.

Our reporting currency is the United States (**"U.S."**) dollar. The functional currency of each of our non-U.S. subsidiaries is the local currency in which it operates. These subsidiaries' financial statements are translated into the U.S. dollar, the parent company's functional currency, using the current rate method.

Other financial data appearing in this annual report that is not included in our consolidated financial statements and that relate to transactions that occurred prior to December 31, 2023 are reflected using the exchange rate on the relevant transaction date. With respect to all future transactions, U.S. dollar translations of NIS amounts presented in this annual report are translated at the rate of $1.00 = NIS 3.627, the representative exchange rate published by the Bank of Israel as of December 29, 2023.

Market and Industry Data and Forecasts

This annual report includes data, forecasts and information obtained from industry publications and surveys and other information available to us. Some data is also based on our good faith estimates, which are derived from management's knowledge of the industry and independent sources. Forecasts and other metrics included in this annual report to describe the countertop industry are inherently uncertain and speculative in nature and actual results for any period may materially differ. We have not independently verified any of the data from third-party sources, nor have we ascertained the underlying assumptions relied upon therein. While we are not aware of any misstatements regarding the industry data presented herein, estimates and forecasts involve uncertainties and risks and are subject to change based on various factors, including those discussed under the headings "—Forward-Looking Statements" and "ITEM 3: Key Information —Risk Factors" in this annual report.

Unless otherwise noted in this annual report, Freedonia Custom Research, a division of MarketResearch.com, Inc. (**"Freedonia"**) is the source for third-party industry data and forecasts. The Freedonia report, dated March 8, 2023 (**"Freedonia Report"**), represents data, research opinion or viewpoints developed independently by Freedonia and does not constitute a specific guide to action. In preparing the report, Freedonia used various sources, including publicly available third-party financial statements; government statistical reports; press releases; industry magazines; and interviews with manufacturers of related products (including us), manufacturers of competitive products, distributors of related products, and government and trade associations. Growth rates in the Freedonia Report are based on many variables, such as currency exchange rates, raw material costs and pricing of competitive products, and such variables are subject to wide fluctuations over time. The Freedonia Report speaks as of its final publication date (and not as of the date of this filing), and the opinions and forecasts expressed in the Freedonia Report are subject to change by Freedonia without notice. Management believes this third-party report to be reputable, but has not independently verified the underlying data sources, methodologies, or assumptions. The report and other publications referenced are generally available to the public and were not commissioned by the Company.

Special Note Regarding Forward-Looking Statements and Risk Factor Summary

This annual report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (**"Securities Act"**), Section 21E of the Securities Exchange Act of 1934, as amended (**"Exchange Act"**), and the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995, that are based on our management's beliefs and assumptions and on information currently available to our management. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, potential growth opportunities, potential market opportunities and the effects of competition. Forward-looking statements include all statements that are not historical facts and can be identified by terms such as "anticipates," "believes," "could," "seeks," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "should," "will," "would" or similar expressions that convey uncertainty of future events or outcomes and the negatives of those terms. These statements may be found in several sections of this annual report, including, but not limited to "ITEM 3: Key Information—Risk Factors," "ITEM 4: Information on the Company," "ITEM 5: Operating and Financial Review and Prospects," "ITEM 10: Additional Information—Taxation—United States Federal Income Taxation—Passive foreign investment company considerations." Forward-looking statements reflect our current views with respect to future events and are based on assumptions and are subject to risks and uncertainties, including those described in "ITEM 3.D. Key Information—Risk Factors." Important factors that could affect our actual results and cause them to differ materially from those expressed in forward-looking statements include, but are not limited to, the items in the following list, which also summarizes some of our principal risks.

- Downturns in the home renovation, remodeling and residential construction sectors or the economy generally;
- Adverse global conditions, including macroeconomic and geopolitical uncertainty, may negatively impact our financial results;
- The outcome of litigations including those regarding silicosis, other bodily injury claims or other legal proceedings in which we are involved, and our ability to use our insurance policy to cover damages;
- Laws and regulations relating to our production operations, or to hazards associated with crystalline silica containing surfaces, changes to such laws and regulations and their impact on us or on our value chain may adversely and materially affect our business;
- Our ability to effectively manage changes to our production and supply chain and effectively collaborate with production business partners ("**PBP**") suppliers;
- Changes in the availability, prices, or suppliers of our raw materials, as well as constraints in the global supply, prices, and availability of transportation for raw materials, finished goods, and other essential products, can significantly impact our operations;
- Our success in further expanding our product offering includes the introduction of new products and materials, along with exploring new applications;
- Disruptions to our information technology systems globally, including by deliberate cyber-attacks;
- Fluctuations in currency exchange rates, and we may not have adequately hedged against them;
- Competitive pressures from other manufacturers of engineered stone and other surface materials as well as increased competition from lower-priced alternatives;
- Our ability to maintain our relationships with our large retailers in North America;
- Risks associated with changes in global trade policies or the imposition of tariffs;
- Our ability to successfully consummate business combinations or acquisitions and our success in integrating previously consummated acquisitions, such as Lioli Ceramica private limited ("**Lioli**") and omicron granite and tile ("**omicron**"), into our operations;
- Our ability to protect our brand, technology and intellectual property;
- The impacts of conditions in Israel, such as military conflict (including Israel's current war with Hamas in the Gaza strip), political developments, negative economic conditions or labor unrest;
- Disturbances to our operations, the operations of our equipment and raw material suppliers, distributors, customers, consumers or other third parties;
- Impacts on revenue from sales disruptions in our geographic concentrations or key markets;
- Our tax position, including meeting certain conditions required to receive certain tax benefits, our exposure to U.S. Tax liabilities and related consequences under the U.S. Internal Revenue Code, and the continued availability of certain tax benefits granted by the Israeli government;
- Our ability to execute our strategy to expand sales in certain markets;
- Our reliance on third-party distributors, re-sellers, and a limited number of large retailers;
- Our ability to effectively manage our inventory and successfully pursue a wider product offering;

- Quarterly fluctuations in our results of operations as a result of seasonal factors and building construction cycles;
- The failure to meet or achieve our ESG goals, expectations or standards that could adversely affect our business, results of operations, financial condition, or stock price;
- Our ability to retain our senior management team and other skilled and experienced personnel;
- Our ability to manage or resolve conflicts of interest arising from employee affiliations with kibbutz Sdot-Yam (the "**Kibbutz**") and with Tene investment in projects 2016 limited partnership ("**Tene**");
- The effect of the share ownership by the Kibbutz and Tene;
- The effects of enforcements against us, our officers and directors in the U.S.;
- Coverage by equity research analysts, publicly announced financial guidance, investor perceptions and our ability to meet other expectations (such as environmental social and governance);
- Differences in the governance of shareholders' rights under Israeli law;
- The amount and timing of our dividend payments;
- Price volatility of, and effects of future sales on, our ordinary shares;
- Our ability to raise funds to finance our current and future capital needs;
- Our ability to pass rising costs to our customers;
- The impact of global pandemics, such as covid-19 on global economy and our business and results of operations;
- Our status as a foreign private issuer and related exemptions with respect thereto; and
- Our expectations regarding regulatory matters applicable to us.

The preceding list is not intended to be an exhaustive list of all our forward-looking statements. Forward-looking statements reflect our current views with respect to future events and are based on assumptions and are subject to risks and uncertainties, including those described in "ITEM 3.D. Key Information—Risk Factors."

You should not put undue reliance on any forward-looking statements. Actual results could differ materially from those anticipated in these forward-looking statements because of various factors described in this annual report, including factors beyond our ability to control or predict. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that future results, levels of activity, performance and events and circumstances reflected in the forward-looking statements will be achieved or will occur. Any forward-looking statement made in this annual report speaks only as of the date hereof. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this annual report, to confirm these statements to actual results or to changes in our expectations.

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PART I

ITEM 1: Identity of Directors, Senior Management and Advisers

Not applicable.

ITEM 2: Offer Statistics and Expected Timetable

Not applicable.

ITEM 3: Key Information

A. [Reserved]

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Our business faces significant risks and uncertainties. You should carefully consider all the information set forth in this annual report and in our other filings with the United States Securities and Exchange Commission (the "**SEC**"). Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. In that event, the trading price of our ordinary shares would likely decline, and you might lose all or part of your investment. This report also contains forward-looking statements that involve risks and uncertainties. Our results could materially differ from those anticipated in these forward-looking statements, as a result of certain factors including the risks described below and elsewhere in this report and our other SEC filings. See also "Special Note Regarding Forward-Looking Statements and Risk Factor Summary".

Risk Factors Summary

The following is a summary of the principal risks that could materially adversely affect our business, results of operations, and financial condition, all of which are more fully described below. This summary should be read in conjunction with the other information discussed in this Item 3.D, and should not be relied upon as an exhaustive summary of the material risks facing our business. Please carefully consider all of the information discussed in this Item 3.D. "Risk Factors" and elsewhere in this annual report for a more thorough description of these and other risks. Such risks include, but are not limited to:

- Downturns in the home renovation, remodeling and residential construction sectors or the economy generally;
- Adverse global conditions, including macroeconomic and geopolitical uncertainty, may negatively impact our financial results;
- The outcome of litigations including those regarding silicosis, other bodily injury claims or other legal proceedings in which we are involved, and our ability to use our insurance policy to cover damages;
- Laws and regulations relating to our production operations, or to hazards associated with crystalline silica containing surfaces, changes to such laws and regulations and their impact on us or on our value chain may adversely and materially affect our business;
- Our ability to effectively manage changes to our production and supply chain and effectively collaborate with PBP suppliers;
- Changes in the availability, prices, or suppliers of our raw materials, as well as constraints in the global supply, prices, and availability of transportation for raw materials, finished goods, and other essential products, can significantly impact our operations;

- Our success in further expanding our product offering includes the introduction of new products and materials, along with exploring new applications;
- Disruptions to our information technology systems globally, including by deliberate cyber-attacks;
- Fluctuations in currency exchange rates, and we may not have adequately hedged against them;
- Competitive pressures from other manufacturers of engineered stone and other surface materials as well as increased competition from lower-priced alternatives;
- Our ability to maintain our relationships with our large retailers in North America;
- Risks associated with changes in global trade policies or the imposition of tariffs;
- Our ability to successfully consummate business combinations or acquisitions and our success in integrating previously consummated acquisitions, such as Lioli and omicron, into our operations;
- Our ability to protect our brand, technology and intellectual property;
- The impacts of conditions in Israel, such as military conflict (including Israel's current war with Hamas in the Gaza strip), political developments, negative economic conditions or labor unrest;
- Disturbances to our operations, the operations of our equipment and raw material suppliers, distributors, customers, consumers or other third parties;
- Impacts on revenue from sales disruptions in our geographic concentrations or key markets;
- Our tax position, including meeting certain conditions required to receive certain tax benefits, our exposure to U.S. Tax liabilities and related consequences under the U.S. Internal revenue code, and the continued availability of certain tax benefits granted by the Israeli government;
- Our ability to execute our strategy to expand sales in certain markets;
- Our reliance on third-party distributors, re-sellers, and a limited number of large retailers;
- Our ability to effectively manage our inventory and successfully pursue a wider product offering;
- Quarterly fluctuations in our results of operations as a result of seasonal factors and building construction cycles;
- The failure to meet or achieve our ESG goals, expectations or standards that could adversely affect our business, results of operations, financial condition, or stock price;
- Our ability to retain our senior management team and other skilled and experienced personnel;
- Our ability to manage or resolve conflicts of interest arising from employee affiliations with The Kibbutz and with Tene;
- The effect of the share ownership by the Kibbutz and Tene;
- The effects of enforcements against us, our officers and directors in the U.S.;
- Coverage by equity research analysts, publicly announced financial guidance, investor perceptions and our ability to meet other expectations (such as environmental social and governance);
- Differences in the governance of shareholders' rights under Israeli law;
- The amount and timing of our dividend payments;
- Price volatility of, and effects of future sales on, our ordinary shares;
- Our ability to raise funds to finance our current and future capital needs;
- Our ability to pass rising costs to our customers;
- The impact of global pandemics, such as Covid-19 on global economy and our business and results of operations;
- Our status as a foreign private issuer and related exemptions with respect thereto; and
- Our expectations regarding regulatory matters applicable to us.

Risks Related to our Business

Economic and External Risks

Downturns in the home renovation and remodeling and new residential construction sectors or the economy generally and a lack of availability of consumer credit could materially and adversely impact end-consumers and lower demand for our products, which could cause our revenues and net income to decrease.

Our products are primarily used as countertops in residential kitchens. As a result, our sales depend significantly on home renovation and remodeling spending, as well as new residential construction spending, primarily in the United States, Australia (unless stated otherwise, reference to Australia in this report includes Australia and New Zealand), Canada and Israel. We estimate (supported also by the Freedonia Report), that approximately 60%-70% of our revenue in our principal markets (U.S., Australia, Canada) is related to residential renovations and remodeling activities, while 30%-40% is related to new construction.

Recent economic downturns, high inflation and increased interest rates have had a major effect on the housing markets that, during 2023, lead to oversupply of both new and resale home inventory, an increase in foreclosures, and reduced levels of consumer demand for new homes as well as levels of construction, and renovation. Such a period may continue longer than expected or return in the future. During such periods, consumer confidence is eroded, and people and business choose to reduce their discretionary spending and, as a result, delay or cancel their home renovation or remodeling projects and therefore could decrease demand and adversely impact our businesses.

As many of our customers are homebuyers or homeowners depending on financing for their purchases (construction and renovation), lack of availability of consumer credit or increased interest rates may hinder their ability to continue their purchases. Recent interest hikes in the U.S. and around the world, have and may further increase the cost of financing for consumers who in turn limit their renovation and remodeling expenditures or home purchases. The current slowdown in the housing market has impacted on the demand for our product, and in combination with increases in prices of raw materials these factors have eroded our margins. If these trends persist, they may materially and adversely affect our ability to grow or sustain our business, our revenues and net income. See also "—Global health risks and future pandemics could further impact end-consumers and the global economy in general, lower demand for our products, disrupt our operations and materially and adversely affect our business and financial results" and "—Disturbances to our operations or the operations of our suppliers, distributors, customers, consumers or other third parties could materially adversely affect our business."

Adverse global conditions, including macroeconomic slowdowns and recessions, and geopolitical instability, may negatively impact our financial results.

Global conditions, dislocations in the financial markets, inflation and increasing interest rates could adversely impact our business. The global macroeconomic environment has been and may continue to be negatively affected by, among other things, instability in global economic markets, increased trade tariffs and trade disputes, instability in the global credit markets, interest rates or even availability of credit, supply chain weaknesses, instability in the geopolitical environment as a result of the Russian Ukraine conflict, the withdrawal of the United Kingdom from the European Union, and other political tensions, and foreign governmental debt concerns. Such challenges have caused, and may continue to cause, uncertainty and instability in local economies and in global financial markets, which may adversely affect our business. For example, higher interest rates and inflation during 2023, negatively impacted consumer spend by avoiding or down-grading purchases, and we believe adversely affected our business.

Additionally, economic downturns and geopolitical challenges in regions of the world that are critical to our operations have in the past and could in the future cause supply chain and other disruptions that impact our business. For example, Russia's and Ukraine's conflict, and the possibility of retaliatory measures taken by the U.S. and NATO and the Houthi's disruption to the movement of goods in the Red Sea have created global security concerns that could have a lasting adverse impact on regional and global economies.

Our results of operations may be materially and adversely affected by fluctuations in currency exchange rates, and we may not have adequately hedged against them.

We conduct business in multiple countries, which exposes us to risks associated with fluctuations in currency exchange rates between the U.S. dollar (our functional currency) and other currencies in which we conduct business. In 2023, 49.3% of our revenues were denominated in U.S. dollars, 18.8% in Australian dollars, 13.4% in Canadian dollars, 6.4% in Euros and 3.9% in NIS and a smaller portion in other currencies. In 2023, the majority of our expenses were denominated in U.S. dollars, NIS and Euros, and a smaller proportion in Canadian and Australian dollars and other currencies. As a result, devaluations of the Australian dollars, and to a lesser extent, the Canadian dollar relative to the U.S. dollar may unfavorably impact our profitability. Our expenses are largely denominated in U.S. dollars, NIS and Euro, with a smaller portion in Australian dollars and Canadian dollars. As a result, appreciation of the NIS, and to a lesser extent, the Euro relative to the U.S. dollar may unfavorably affect our profitability. We attempt to limit our exposure to foreign currency fluctuations through forward contracts, which, except for U.S. dollar/NIS forward contracts, are not designated as hedging accounting instruments under ASC 815, Derivatives and Hedging. We currently engage in derivatives transactions, such as forward contracts, to hedge against the risks associated with our foreign currency exposure. Our strategy to hedge our cash flow exposures involves consistent hedging of exchange rate risk in variable ratios up to 100% of the exposure over rolling 12 months. As of December 31, 2023, our average hedging ratio was approximately 9% out of our expected currencies exposure for 2023. As of December 31, 2023, we had total outstanding forward contracts with a notional amount of $21.2 million. These forward contracts were for a period of up to 12 months. The fair value of these foreign currency derivative contracts was positive $0.5 million, which is included in our current assets and current liabilities, as of December 31, 2023. Hedging results are charged to finance expenses, net, and therefore, do not offset the impact of currency fluctuations on our operating income. Our U.S. dollar/NIS forward contracts are charged to operating expenses as designated hedge instruments, partially offsetting the impact of the U.S. dollar/NIS currency fluctuations on our operating income (loss). While we may decide to enter into additional hedging transactions in the future, the availability and effectiveness of these transactions may be limited and we may not be able to successfully hedge our exposure, which could adversely affect our financial condition and results of operations. For further discussion of our foreign currency derivative contracts, see "ITEM 11: Quantitative and Qualitative Disclosures About Market Risk."

We face intense competitive pressures from manufacturers of other surface materials, which could materially and adversely affect our results of operations and financial condition.

We have invested considerable resources to position our engineered stone surface products as premium branded products. Our surface products compete with several surface materials such as granite, laminate, marble, manufactured solid surface, concrete, stainless steel, wood, porcelain and other engineered stone surfaces. We compete with manufacturers of these surface materials with respect to a range of factors. These factors include, among other things, brand awareness and brand position, product quality, product differentiation, design and breadth of product offerings, slab dimensions, new product development and time to market, availability and supply time, technological innovation, popular home interior design trends, pricing, availability of inventory on demand, distribution coverage, customer service and versatility in products portfolio.

Due to our products' high quality and positioning, we generally set our prices—especially for our differentiated products—at a higher level than alternate surfaces and engineered stone surfaces provided by other manufacturers. Some competitors can produce similar surface products at a lower cost, which imitate our products and designs. Further penetration of these products into our active markets may further reduce our market share, limit our ability to increase prices and have a material adverse effect on our financial condition and results of operations.

Should our competitors be able to produce products more efficiently, due to various factors, such as raw material location and availability, and offer products at lower prices, while adapting more quickly to changes in consumer preferences and demands, we may lose market share and our financial results may suffer.

Global trade is affected by governmental involvement including through antidumping and countervailing duties and these may cause unforeseeable market changes that could adversely impact our financial results.

Antidumping and countervailing duty orders are designed to provide relief from imports sold at unfairly low or subsidized prices by imposing special duties on such imports. Such orders normally benefit domestic suppliers in the country in which the duty orders are in place and foreign suppliers not covered by the orders. During 2018 and 2019, antidumping and countervailing duty ("**AD/CVD**") petitions were filed with the U.S. Department of Commerce ("**DOC**") and the International Trade Commission ("**ITC**"). The petitions, which were filed by a U.S. quartz manufacturer, alleged that Chinese, and subsequently Indian and Turkish, manufacturers injured the U.S. domestic quartz industry and therefore duties were required to offset such unfair trade practices. Ultimately, the DOC and ITC imposed AD/CVD duties ranging approximately between 265% and 340% for Chinese produced quartz engineered stone, and between 3.81% and 80.79% for Indian and Turkish quartz engineered stone.

The imposition of AD/CVD orders have driven some of the affected manufacturers to direct their products into other markets in which we operate (including markets in which we hold a higher market share than in the U.S., such as Australia) thereby adversely impacting our operations and financial results. Finally, any duties and tariffs imposed by the U.S. or other regulators may not succeed in remediation of any impact caused by the relevant imports. Chinese, Indian and Turkish exporters may shift their focus to other, competing materials, to circumvent the duties. As a result, our non-U.S. markets have faced increased competitive pressures. Changes in the AD/CVD tariffs may increase uncertainty and our financial results may be adversely and materially impacted.

On October 29, 2021, the European Ceramic Tile Manufacturers' Federation, filed a complaint with the European Commission ("**Commission**") in which it requested that the Commission initiate an anti-dumping investigation concerning imports to the EU of ceramic tiles originating in India and Turkey between July 2020 and June 2021. The Commission eventually decided to introduce a tariff of 7.9% applicable to on Indian and Turkish producers including the products we produce at our Indian facility.

We may need to raise funds to finance our current and future capital needs, which may dilute the value of our outstanding ordinary shares, increase our financial expenses or limit our business activities.

We may need to raise funds to finance our existing and future capital needs, including to fund ongoing working capital requirements. If we raise funds through the sale of equity securities, these transactions may dilute the value of our outstanding ordinary shares. Any debt financing would increase our level of indebtedness and could negatively affect our liquidity and restrict our operations and may also prove expensive in light of the increasing interest rates. We may be unable to raise additional funds on terms favorable to us or at all. If financing is not available or is not available on acceptable terms, we may be unable to fund our future needs. This may prevent us from increasing our market share, capitalizing on new business opportunities or remaining competitive in our industry, which could materially and adversely affect our business, prospects, financial condition and results of operations.

If we are unable to pass rising costs to our customers, it could have a material adverse effect on our business.

The prices of our raw materials, shipping and energy-related costs have in the past and may in the future experience volatility that could materially impact our business and financial results. We also rely on shipping raw materials and finished goods. While we attempt to pass on such increased costs to our customers, our ability to do so depends on many factors including competition in our markets, availability of credit and the housing market. If we are unable to mitigate the increase in these costs, particularly raw material and shipping, our financial condition and results of operations could be materially and adversely affected. A slowdown in our markets may result in decreased demand for our products and limit our ability to raise prices.

Global health risks and future pandemics could further impact end-consumers and the global economy in general, lower demand for our products, disrupt our operations and materially and adversely affect our business and financial results.

In the past, the COVID-19 pandemic resulted in a widespread public health crisis, governmental authorities implemented numerous measures in an attempt to contain and mitigate its effects. The combined effect adversely impacted global economies, market uncertainty and volatility, and significantly affected consumer and businesses behaviors. Future pandemics may further challenge our ability to conduct our operations and, as a result, may materially and adversely affect our financial results.

Operational Risks

Problems inherent in the use of PBP suppliers, such as a failure to effectively collaborate or diversify our relationships with various PBPs, could materially adversely affect our competitive position or profitability.

The recent closure of our production facilities in Sdot-Yam, Israel and Richmond-Hill, Georgia, have increased the portion of our products produced by our third-party production partners. Since 2021, we have accelerated our strategy to acquire certain product models from third-party engineered stone and Porcelain PBP producers, and this trend continued since we transitioned to more elaborate models and to our PBP resulting in a higher portions of our goods sold produced by them. Our PBP producers are located in Asia and Europe. We expect this trend to continue during 2024 and further increase our reliance on third party manufacturers. Our ability to serve our markets with the right product offering at competitive prices depends on our ability to successfully manage these sourcing partnerships. Failure to meet challenges such as IP retention, maintaining quality in raw-materials and finished goods, coordinating logistics, inventory and supply chain challenges and maintaining compliance not only with applicable laws but with market expectations in fields such as ESG as well as our ability to keep favorable commercial terms, may have an adverse effect on our business and results of operations.

Moreover, our failure to effectively manage our PBP supplier-partnerships could require us to locate alternative manufacturers or invest further in our facilities, which could cause substantial delays in manufacturing, increase our costs, negatively impact our brand, reputation, and the quality of our products in case we rely on new vendors, and require us to adjust our products and our manufacturing processes. Even if we do effectively manage such relationships, they may not help us to successfully optimize our operations and reduce costs.

If we fail to effectively manage the required changes in our production and supply chain, we may be unable to serve the market or suffer additional inefficiencies.

Our production and supply chain processes are complex, and they rely on our estimates and forecasts in terms of volume, product mix, and delivery times. These processes involve independent and interdependent suppliers, owned and leased locations, external manufacturing partners, distribution networks, delivery centers and information systems, each of which supports our ability to provide our products to our customers. A failure to accurately forecast consumer preference and market trends or manage necessary inventories, disruptions to our production and supply chain processes, including managing our PBP product production and deliveries, all may hinder the availability of our products in the market, result in loss of sales, increase shipping costs and harm our relationships with our suppliers and customers, damage our brand and reputation and have a material adverse effect on our results of operations.

Changes in the prices of our raw materials may increase our costs and decrease our margins and net income (loss).

The principal raw materials used for our products are polyester and various combinations of minerals (such as quartz and pigments). In 2023, raw materials used in our manufacturing processes accounted for approximately 30% of our cost of goods sold. The cost of raw materials consists of the purchase prices of such materials and costs related to the logistics of delivering the materials to our manufacturing facilities. The raw materials we use for our products are subject to price volatility caused by weather, supply conditions, government regulations, economic and political climate, labor costs, and other unpredictable factors. During 2023, our raw materials costs were also impacted by changes in foreign currency exchange rates, mainly the Euro as it relates to polyester and other raw materials purchased from Europe. Any increase in raw material prices increases our cost of sales and can decrease our margins and net income (loss). Furthermore, we may face market conditions that will make it impossible to pass all or some of the increased costs to our customers. If we are unable to recover these costs it may have a material adverse effect on our financial results. For cost of our raw materials in 2023 and prior years, see "ITEM 5.A: Operating Results and Financial Review and Prospects—Operating Results—Cost of revenues and gross profit margin."

Dry minerals used in the production of our products, such as quartz, quartzite and other minerals are the main raw material component used in our engineered stone products. These minerals accounted for approximately 38.2% of our raw materials cost in 2023. Our cost of sales and overall results of operations may be impacted significantly by fluctuations in their prices. For example, if their cost rose by 10% in 2023, we would have experienced a decrease of approximately 0.7% in our gross profit margin for our manufactured products in such a year. In 2023, our average cost of such minerals decreased by 7.7%, following an increase of 17.9% during 2022, mainly due to decrease in maritime shipping and freight handling, partially offset by the mix of minerals purchased. Any future increases in quartz or other mineral prices could also materially and adversely impact our margins and net income.

Polyester, which acts as a binding agent in our products, accounted for approximately 31.6% of our raw materials costs in 2023. Accordingly, our cost of sales and overall results of operations may be impacted significantly by fluctuations in polyester prices. For example, if the cost of polyester rose 10% in 2023, we would have experienced a decrease of approximately 0.6% in our gross profit margin of our manufactured products for such a year. The cost of polyester we incur is a function of, among other things, manufacturing capacity, demand and the price of crude oil and more specifically benzene. Our cost of polyester fluctuated significantly over the years. In 2023, our average polyester cost decreased by approximately 31% following an increase of approximately 23% during 2022. We acquire polyester on an annual framework basis, or a purchase order basis based on our projected needs for the subsequent one to three months. Going forward, we may face price pressures from our polyester suppliers as our overall quantities will decrease with the closure of our Sdot-Yam and Richmond-Hill facilities.

Pigments are also used to manufacture our products. Although pigments account for a significantly lower percentage of our raw material costs than polyester, we encountered in the past and may experience in the future fluctuations in pigment prices. For example, the cost of titanium dioxide, our principal white pigmentation agent, decreased by approximately 27.8% in 2023 following an increase by approximately 10.5% in 2022, respectively. Such prices fluctuations may also have a materially adverse impact on our margins and net income (loss).

As a result of recent global economic conditions (as discussed in the risk factor entitled “Adverse global conditions, including macroeconomic and geopolitical uncertainty, may negatively impact our financial results”), the prices of raw materials used for our products has been particularly volatile and decreased during 2023, and hedging mechanisms and strategies used to mitigate this price volatility have been limited. If we are unable to increase the price of our products to cover increased costs, to offset operating cost increases, then commodity and raw material price volatility or increases could materially and adversely affect our profitability, financial condition and results of operations. If we are unable to source raw materials, that could limit our ability to utilize our manufacturing facilities, in addition, increases in the prices of these raw materials may have a material adverse effect on our financial results.

For cost of our raw materials in 2022 and prior years, see “ITEM 5.A: Operating Results and Financial Review and Prospects—Operating Results—Cost of revenues and gross profit margin.”

We rely on our suppliers to deliver parts, components, manufacturing equipment, and raw materials to our facilities, and our ability to manufacture efficiently and without disruption depends on the availability, transportability and prices of such goods.

We currently manufacture our products at our facilities in Israel, and India. In addition, we source a growing portion of our products from PBPs which are also subject to similar risks. We actively manage our global supply chain and production facilities in Israel and India.

We rely on the producers of our production lines, primarily Breton, for the availability of certain spare parts and for their support and know-how required to resolve specific technical problems in their manufacturing equipment. If such producers were to become insolvent or cease their business, or otherwise experienced an inability or delay in providing specialty machine components and spare parts, know-how or technical support to us, we would be unable to obtain such components or expertise for an indeterminate amount of time. As a result, the output of our products to our distributors and customers could be prevented or delayed.

Other supply chain risks include but are not limited to disruptions in shipping logistics; shutdowns or reduced operations at our suppliers’ facilities; changes in the market prices for minerals, clay, and styrene and other parts and materials used in our production processes, including those performed by our PBP. Shortages of raw materials or parts, or the increase in their cost or the cost of their transportation would have a material adverse effect on our business and consolidated results of operations.

For example, since 2021, we experienced disruptions and volatility in our supply chain that we expect to continue through 2024. Supply chain issues have occurred on a global scale, which have been triggered by various factors, including among other reasons, the COVID-19 pandemic that effected many factors such as transportation prices, weather conditions and other geopolitical events, such as Russia-Ukraine war (effecting the availability of Ukrainian clay and energy prices) and the war in southern Israel, and have caused delays in the arrival of or otherwise constrained our supply of raw materials, particularly minerals and porcelain, which are essential and non-fungible components in the manufacture of our countertops and surface products.

There can be no assurance that we will be able to effectively manage our global supply chain and manufacturing operations in the future. Price increases imposed by our suppliers for raw materials and goods and transportation price increases may all have a material adverse effect on our business and consolidated results of operations.

In addition to our traditional engineered quartz offering, we are expanding our offering to include other mineral based engineered stones, engineered porcelain large slabs, natural stone and other ancillary materials. We may pursue a further expansion of our product offering, including introducing new products and materials as well as new applications, which may be unsuccessful, and may divert management's attention and negatively affect our margins and results of operations.

Our competitive advantage is due, in part, to our ability to design, develop and introduce innovative new and improved products and to strengthen our brand. To maintain such an advantage, we may produce or procure the production of such products from manufacturers that are also competing with ours. Such new products may include new designs, new and alternative materials (including replacing the composition of traditional quartz-based slabs) and complementary products. Introducing new products involves uncertainties, such as predicting changing consumer preferences, developing, manufacturing challenges, marketing and selling new technologies, products and materials, and entering new market segments. Despite our efforts to expand our offering, we may not be successful due to such uncertainties and challenges which may result in higher-than-expected expenses, lower than expected dales and have a material adverse effect on our margins and results of operation.

For example, as a result of the Lioli Acquisition in 2020, we commenced manufacturing and sales of porcelain slabs for different applications, including countertops as well as facades, flooring and cladding. As a result of the Omicron Acquisition (as defined below), we added natural stone and ancillary products for kitchen installation and fabrication to our list of products. In addition, during the second quarter of 2023, we incurred significant costs associated with the necessary R&D activities for the introduction of a new offering based on alternative materials. Although we believe that the expansion into new products, materials and, in some cases, other business models such as the Omicron business may pose an opportunity to leverage our existing business, no guarantee can be given as to customer demand for the new products. Moreover, in the future we may decide to introduce additional new products and enter new markets, whether through cooperation with third-party manufacturers or manufacturing at our own facilities.

Addressing these markets entails additional risks and liabilities that should they materialize may have a material adverse effect on our financial results.

A sizable proportion of our sales in North America is attributable to a limited number of large retailers; any deterioration of our relationships with such retailers or deterioration in their business performance (in fields relevant to the sale of our products) could adversely impact our results of operations.

We supply our products to retailers or directly to their customers in a manner that may include fabrication and installation services of the countertops, primarily from our engineered stone surfaces. Such services are performed by select third party contractors (engaged by either us or by the retailer). While we expect that these retailers will continue to offer our products, there is no assurance that such current agreements will be renewed at all or on similar terms. In case these collaborations are terminated or not renewed, our revenue could significantly decrease.

Our sales via retailers may be affected, among other things, by their focus, material preferences, reaction to the occupational safety issues, sales and promotional events: their timing, scope and other terms that are determined exclusively by such retailers, all of which may impact our sales volume. Accordingly, we may not be able to maintain or increase such sales or its current profitability level. See also "—Disturbances to our operations or the operations of our suppliers, distributors, customers, consumers or other third parties could materially adversely affect our business". See also "—Results of bodily injury claims may have a material adverse effect on our business, operating results, and financial condition".

In addition, we have entered into arrangements with third parties that fabricate and install finished countertops. Their performance may impact our relationships with retailers or other business partners, our quality and service level, ESG performance, and ability to manage the installation and fabrication of countertops to meet the end consumers' demands at reasonable prices. If we are unable to successfully manage the installation and fabrication services performed for us by these third-party fabricators and installers, we may experience relatively high waste of our products used by fabricators for such works, and complaints from end-consumers with respect to supply time, quality and service level of the fabrication and installation, including defects and damages. Such risks could expose us to warranty-related damages, which, if not covered back-to-back by the fabricators engaged by us, could have a materially adverse effect on our financial results, reputation and brand position, and could lead to the termination of our agreements with retailers and end customers.

Our ability to fully integrate acquisitions, joint ventures and/or investments, including our previously announced acquisitions of Lioli, Omicron and Caesarstone Scandinavia, could be more difficult, costly and time-consuming than we expect and therefore disrupt our business and adversely affect our financial results.

Our success will depend, in part, on our ability to expand our product offerings and grow our business in response to customer demands, competitive pressures and industry trends in the home renovation and construction sectors. We pursue our growth strategy by acquiring complementary businesses across the globe, including our previously announced acquisitions of Lioli, an India-based porcelain countertop slab producer, in October 2020 (the "**Lioli Acquisition**"), Omicron, a stone supplier based in Pompano Beach, Florida, in December 2020 (the "**Omicron Acquisition**") and Caesarstone Scandinavia (formerly named Magrab), a leading distributor in Sweden in July 2022 (the "**Magrab Acquisition**").

The combination of independent businesses is a complex, costly and time-consuming process. While our management continues to make progress in integrating Lioli's and Omicron's businesses with ours, such efforts are still underway and are expected to continue through 2024. During this time, we and our management have encountered, and are likely to continue to encounter, ongoing challenges with respect to achieving anticipated synergies. For example, high turnover rates of key employees at Lioli, which we attribute to challenges assimilating Lioli employees into our workplace culture and maintaining consistent operational standards and processes. We seek to manage these transitions carefully, such as by establishing employee training and development programs. However, any continued retention issues at our acquired companies will result in a loss of institutional knowledge about those businesses. Failure to address integration risks may strain our relationship with out Lioli joint-venture partners and negatively impact our financial results.

In addition, we may be exposed to unforeseen or undisclosed claims and liabilities arising from the operations of Lioli, Omicron and Magrab from periods prior to the dates we acquired them. For example, although we believe that we have a good and marketable title to the Lioli manufacturing facility in Morbi, Gujarat, India, there are certain historic discrepancies between records of different local and regional authorities in Gujarat, India, including records of titles to physically non-existing plots, that might result in our ownership to the facility or its parts being challenged, including by title holders of existing and non-existing adjacent plots. Our ability to seek indemnification from the former owners for these and any other claims or liabilities could be significant and limited by various factors, including the specific limitations contained in the respective acquisition agreements and the financial ability of the former owners. If we are unable to enforce any indemnification rights we may have, or if we do not have any right to indemnification, we could be held liable for the costs or obligations associated with such claims or liabilities, which could adversely affect our operating performance.

In addition, as a result of the Lioli, Omicron and Magrab Acquisitions we carried a significant amount of intangible assets (including goodwill) on our balance sheet. As of December 31, 2022, and 2023, our goodwill and other intangible assets (including Lioli and Omicron acquisitions), amounted to $8.8 million and $6.3 million, respectively.

We rely on select suppliers in specific regions for the raw materials used in the production of our products, and we may encounter significant manufacturing delays if we experience disruptions in these supply arrangements and/or are required to change suppliers.

Our principal raw materials for engineered stone products are minerals (such as quartz), polyester and pigments. We acquire minerals from Turkey, India, U.S., Israel and several European countries. We typically transact business with our raw-material suppliers on a periodical framework basis, under which we execute purchase orders from time to time. In 2023, approximately 69% of our minerals used were imported from several suppliers in Turkey.

We acquire polyester from several suppliers, mainly from Europe, on a periodic basis, or on a purchase order basis based on our projected needs. The supply of pigments required for the production of our engineered stone products is also limited and we currently rely on a mainly single supplier for the processing of such pigments. We cannot be certain that any of our current suppliers will continue to provide us with the quantities of raw materials that we require or will be able to satisfy our anticipated specifications and quality requirements. We may also experience a shortage of such materials if, for example, demand for our products increases.

In addition, we may lose our supply contracts or arrangements, or the ability to effectively enforce our rights thereunder, if our supplier relationships are disrupted as a result of factors beyond our control, including, for example, effects of political and geo-political factors in the regions where our supplies are located. For instance, in previous years, rising tensions between Turkey and Israel have increased the risk that our commercial arrangements with Turkish suppliers may be adversely and materially impacted. If political tensions between Turkey and Israel worsen again, and our Turkish suppliers fail to perform in accordance with our arrangements, we may not be able to successfully enforce them.

If our supply of raw materials is adversely impacted to a material extent or if, for any reason, any of our suppliers does not perform in accordance with our expectations, for any reason, we would need to locate alternate suppliers. Securing replacement suppliers could result in substantial delays in manufacturing, increase our costs, negatively impact the quality of our products, or require us to adjust our products and our manufacturing processes. Any such delays in or disruptions to the manufacturing process could materially and adversely impact our reputation, revenues and results of operations as well as other business aspects, such as our ability to serve our customers and meet their order requests.

For more information with regards to suppliers of raw materials used in our products, see "ITEM 4.B: Information on the Company—Business Overview—Raw materials and Service Provider Relationships."

Our revenues are subject to significant geographic concentration and any disruption to sales within one of our key existing markets, or to sales to a major customer therein, could materially and adversely impact our results of operations and prospects.

Our sales are subject to significant geographic concentration, with the four largest markets accounting for 84.2% of revenues. In 2023, sales in the United States, Australia (including New Zealand), Canada and Israel accounted for 48.1%, 18.8%, 13.4% and 4% of our revenues, respectively. Our results of operations could be materially and adversely impacted by a range of factors, including spending on home renovation and remodeling and new residential construction in the region (as discussed above), local competitive changes, changes in consumers' preference regarding engineered stone surfaces, particularly quartz-based surfaces or countertop preferences in general, and regulatory changes that specifically impact these markets. For example, as recently published Australian regulators have resolved to ban crystalline silica containing engineered stones during 2024, and while we offer alternative products, the introduction of such alternative products in our active markets remains subject to uncertainties and challenges. Since the Australian market is our second largest, loss of any such market share and corresponding revenues would materially and adversely affect our results of operations. In addition, other states and jurisdiction may follow suit and adopt similar legislation adversely impacting our business, and if such occurs in one of our principal markets, the impact may be major. Likewise, our principal markets may also be impacted by other general economic conditions, including in a global or local recession, depression, high inflation or other sustained adverse market events and increases in imports of cheaper engineered stone surfaces from low-cost countries manufacturers into such markets, especially the United States, Australia and Canada. Stronger local currencies could make lower-priced imported goods more competitive than our products. Although we face different challenges and risks in each of the markets in which we operate, due to the existence of a high level of geographic concentration, should an adverse event occur in any of these jurisdictions, our results of operations and prospects could be impacted disproportionately.

A key element of our strategy is to expand our sales in certain markets, such as the United States and segments, such as services. Failure to expand such sales would have a material adverse effect on our future growth and prospects

A key element of our strategy is to expand sales of our products in certain of our key existing markets, as well as additional new markets and offerings that we believe have high growth potential. In line with our strategic restructuring plan, we are making efforts to optimize our distribution network in the United States, including through the expansion of our brand into the South, Southeast and Ohio Valley markets via the Omicron Acquisition. In addition, a growing portion of our revenues is attributable to installation and fabrication services.

We estimate we can continue to expand our brand and the sales of our engineered stone and porcelain products in the United States where, according to Freedonia, engineered surfaces represented 21% of the total countertops by volume installed in 2022.

We face several challenges in generating demand for our products in the United States or other markets for various reasons. If the market for our products in these regions does not develop as we expect, our future growth, business, prospects, financial condition, and operating results will be adversely affected. In addition, changes to trade environments, including imposition of import tariffs or withdrawal from or revisions to international trade policies or agreements, may affect our growth potential globally, and further impact other markets in which we operate. See "—We face intense competitive pressures from manufacturers of other surface materials, which could materially and adversely affect our results of operations and financial condition."

Even if we are able to increase our brand awareness and the demand for our products in these and other regions, which we consider to be viable markets, we may face certain challenges in supplying materials to large retailers in these regions. For more information, see "—A sizable proportion of our sales in North America is attributable to a limited number of large retailers; any deterioration of our relationships with such retailers or deterioration in their business performance (in fields relevant to the sale of our products) could adversely impact our results of operations" Additionally, our reliance on third-party suppliers to provide installation and fabrication services to large retailers could impair our relationship with our customers, which could also materially harm our business and results of operations. Our success will depend, in large part, upon consumer acceptance and adoption of our products and brand in these markets, on the level of our execution, our go-to market strategy and its implementation and the timely availability of our products across regions, and if we do not effectively expand into these markets, there could be an adverse impact on our sales and financial condition.

Our distributors' actions may have a materially adverse effect on our business and the results of operations. Our results of operations may be further impacted by the actions of our re-sellers.

Sales to third-party distributors accounted for approximately 11% of our revenues in 2023. In our indirect markets, we depend on the success of the selling and marketing efforts of our third-party distributors, and any disruption in our distribution network could materially impair our ability to sell our products or market our brand, which could materially and adversely affect our business and results of operations. As we have limited control over these distributors, their actions could also materially harm our brand and company reputation in the marketplace.

In the majority of our distribution arrangements, we operate based on an initial agreement or general terms of sale or, in certain cases, without any agreement, in writing or at all. The lack of a written agreement with many of our distributors may lead to ambiguities, costs and challenges in enforcing the terms of such arrangements, including where we wish to terminate early due to the distributor's failure to meet annual sales targets. We have experienced difficulties, including litigation, in connection with the termination of certain of our distributors due to disputes regarding their terms of engagement. See "ITEM 8.A: Financial Information—Consolidated Financial Statements and Other Financial Information—Legal proceedings." Additionally, we may be unable to distribute our products through another distributor within the territory during the period in which we must give prior termination notice, or to identify and retain new distributors upon termination, which may materially and adversely impact our market share, results of operations, relationships with our customers and end-consumers and brand reputation. Because some of our distributors operate on nonexclusive terms, distributors may also distribute competitors' countertop surfaces or other surface materials, which may cause us to lose market share. If we opt to distribute our products directly upon termination of existing arrangements with our distributors, ramping up our logistics and shipping capabilities could require significant time and financial commitments, which could materially and adversely impact our market share and results of operations. We cannot assure you that we will be able to successfully transition to direct distribution in a timely or profitable manner.

In the United States, we supply our products in part to sellers who in turn re-sell them to fabricators, contractors, developers and builders. Certain actions by such third parties may also materially harm our brand and reputation. The failure of one or more of our re-sellers or retailers to effectively promote our products, or changes in the financial or business condition of these re-sellers or retailers could adversely affect results of our operations.

The termination of arrangements with distributors and re-sellers may lead to litigation, resulting in significant legal fees for us and detracting from our management's effort, time and resources. In addition, our distributors and re-sellers generally disclose to us sales volumes and other information on a monthly or quarterly basis. Inaccurate sales forecasts, on which we have already relied on in our production planning or our failure to understand correctly the information in a sales report could cause significant, unexpected volatility in our sales and may impact our ability to make plans regarding our supply chain. Any of these events could materially and adversely affect or cause unexpected fluctuations in the results of operations.

Our business is subject to disruptions and quarterly fluctuations in revenues and net income (loss) as a result of seasonal factors, weather-related conditions, natural disasters, building construction cycles and actions by third parties over which we have no control, which are hard to predict with certainty.

Our results of operations have in the past and may in the future be impacted by seasonal factors, weather-related conditions, and construction and renovation cycles. The levels of manufacturing, fabrication, distribution, and installation of our products generally follow activity in the construction and renovation industries. Severe weather conditions, such as unusually prolonged cold conditions, hurricanes, severe storms, earthquakes, floods, fires, droughts, other natural disasters or similar events could reduce, delay or halt the construction and renovation industries in the markets in which we operate, and our businesses may be adversely affected. Markets in which we operate that are impacted by winter weather, such as snowstorms and extended periods of rain, may experience a slowdown in construction activity during the beginning and the end of each calendar year, and this winter slowdown contributes to lower sales in our first and fourth quarters. Natural disasters including tornados, hurricanes, floods and earthquakes may damage our facilities, the launch facilities we use or those of our suppliers, which could have a material adverse effect on our business, financial condition and results of operations. Traditionally, the second and third quarters of the year exhibit higher sales than the first and fourth quarters. For more information, see "ITEM 5.A: Operating and Financial Review and Prospects—Operating Results—Factors impacting our results of operations". Adverse weather in a particular quarter or a prolonged winter period can also impact our quarterly results. Our future results of operations may experience substantial fluctuations from period to period as a consequence of such adverse weather. Increased or unexpected quarterly fluctuations in our results of operations may increase the volatility of our share price and cause declines in our share price even if they do not reflect a change in the overall performance of our business.

Furthermore, our ability, and that of our suppliers, PBP suppliers, distributors, customers and other third parties, to develop, manufacture, transport, distribute, sell, install, and use our products is critical to our success. Damage or disruption to our or their operations could occur due to various factors, some of which cannot be foreseen, including, among others, telecommunications failures; power, fuel, or water shortages; strikes, labor disputes or lack of availability of qualified personnel; or other reasons beyond our control or the control of such third parties. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, could continue to result in adverse effects on our business, financial condition or results of operations.

Legal, Regulatory, Safety and Security Risks

Results of bodily injury claims may have a material adverse effect on our business, operating results, and financial condition.

Since 2008, we have been named, either directly or as a third party defendant, in numerous lawsuits alleging damages caused by exposure to respirable crystalline silica, or RCS related to our products filed primarily by individuals (including fabricators and their employees, and our former employees), their successors, dependents, employers, and in subrogation claims by workers compensation or insurance bodies, such as the Israeli National Insurance Institute (the "**NII**") and Australian's state workover bodies.

Inhalation of dust containing fine particles (including respirable crystalline silica, or RCS) may occur if safety measures are not implemented while performing certain tasks, including among others, cutting polishing and otherwise fabricating materials, including crystalline silica. Such exposure may in turn cause silicosis and other health issues. Silicosis is a potentially fatal progressive occupational lung disease and is characterized by scarring of the lungs and damage to the breathing function.

As of December 31, 2023, we were subject to such lawsuits with respect to 172 injured persons globally (of which 74 were in Israel, 76 in Australia and 22 in the United States) and had received pre-litigation demand letters with respect to an additional nine persons. Traditionally, claims asserted against us do not specify the total damages sought, and the plaintiffs' damages, if any, are determined at trial or settlement discussions.

While we may settle some of these claims, we intend to vigorously defend others, and believe our arguments have strong merit, however we cannot provide any assurance that we will be successful. We estimated that our total exposure with respect to claims pending as of December 31, 2023, in Israel and Australia was approximately $ 25.7 million (which we made a provision for, based on the current legal conditions and estimates), however, the actual outcome of such lawsuits may vary greatly from our estimate. We have past product liability insurance that partially covers said exposure. We believe that with respect to such cases we have $8.4 million of coverage under existing & past product liability insurance and, accordingly, our net exposure with respect to such pending claims is estimated to be $17.3 million. Given the early stages of litigation in the U.S., we are unable to estimate their outcome.

Results of any pending or future litigation are subject to significant uncertainty. Our estimated total net exposure with respect to pending claims is subject to change for a variety of reasons, including an unpredictable adverse developments or rulings, such as the Australian ban on silica containing engineered stone products. We cannot estimate the number of potential claimants that may file claims against us, the jurisdiction in which such claims may be filed, who the claimants are or the nature of the claims. Consistent with the experience of other companies, there may be an increase in the number of asserted claims against us. In addition, punitive damages may be awarded in certain jurisdictions. We may be also subject to class action lawsuits, and we cannot be certain whether such claims will succeed in being certified or on their merits. An actual outcome which is higher than our estimate could have a material adverse effect on our financial results and cash flow.

Any uninsured damages to which we are subject in existing or future potential litigation, the cost of defending any uninsured claims, compliance costs, and the loss of business from fabricators who no longer find it practical to fabricate our products, may have a material adverse impact on our revenues and profits. Moreover, even if we are found only partially liable to a plaintiff's damages, in some jurisdictions the plaintiff may seek to collect all their damages from us, requiring us to collect separately from our co-defendants their allocated portion of the damages and there can be no assurance that we will succeed in such collection.

If we cannot obtain insurance on as favorable terms as previously, or if our insurance is terminated early, decreased, provides inadequate coverage or if we are subject to hazardous dust-related claims excluded by our product liability insurance policy or by our employer liability insurance policy we may incur significant legal expenses and become liable for damages, in each case, that are not covered by insurance. For example, as of September 2020 our Australian product liability insurance ceased coverage of newly diagnosed silicosis related claims. Such events might have a material adverse effect on our business and the results of operations. As of December 31, 2023, our insurance receivables for silicosis-related claims totaled $8.4 million. Although we believe that it is probable that such receivables will be paid to us when such payments are due, if our insurers become insolvent in the future or for other reason do not pay such amounts in full or on a timely basis, such failure could have a material adverse effect on our financial results and cash flow.

Media coverage regarding these claims, governmental actions and the hazards associated with exposure to RCS in the engineered stone (primarily quartz surfaces), may adversely affect consumer perception of our products, damage our brand and reputation, and in turn lead to loss of sales and a material adverse effect to our revenues and financial results.

Any of the risks described above relating to claims regarding silicosis and other bodily injury claims may have a material adverse effect on our business, operating results and financial condition. For more information, see "ITEM 8.A: Financial Information—Legal Proceedings—Claims related to alleged silicosis and other injuries." See also Note 11 to the financial statements included elsewhere in this report.

Changes in laws and regulations relating to hazards associated with engineered stone surfaces or with the crystalline silica in stone surfaces may adversely and materially affect our business.

Our global markets are subject to evolving legislation and regulation aimed at protecting workers from exposure to RCS. While we certainly support initiatives aimed at improving health and safety, some of these may have an adverse effect on our business and financial performance.

For example: in Australia, federal governments' group of work safe ministers resolved to ban the use, supply and manufacture of engineered stone slabs containing crystalline silica (including quartz-based products, that constituted a major part of our Australian offering). Subject to the formal adoption of the relevant legislation and/or regulation the ban is expected to enter effect July 1, 2024. Our efforts to comply with the Australian proposed laws and regulations, and to address the expected turmoil in the Australian market, may not be optimal or even successful and that may have a materially adversely impact the company's financial results. With this precedent in place, other jurisdictions may follow the path of imposing new laws and regulations that may limit our ability to effectively compete in markets we currently operate in thus having a material adverse effect on our performance and financial results.

By way of further example: in California, the state's occupational safety and health standards board has approved an emergency temporary standard aimed to protect workers in the stone fabrication industry from exposure to RCS and committed to continue and develop permanent rules to that end.

Prior to that, during February 2020, the U.S. Occupational Safety and Health Administration published a National Emphasis Program addressing the hazards of silica, supplemented recently during September 2023, announcing a new initiative to conduct enhanced enforcement and compliance efforts (RCS focused inspection initiative in the engineered stone fabrication and installation industries). Further regulatory changes regarding the ability to use, process or sell stone countertops, particularly engineered stone, the safety measures required in such activities may materially adversely affect our business.

We may be required to incur additional expenses associated with exposure to RCS in the silica containing surfaces industry to enhance our compliance with current and future laws, regulations, or standards. Failure to comply regulatory requirements may expose us to regulatory actions (as detailed below in "—The extent of our liability for environmental, health and safety, product liability and other matters may be difficult or impossible to estimate and could negatively impact our financial condition and results of operations") as well as to lawsuits. Greater regulatory scrutiny and action may also lead to greater propensity for litigation against us or ultimately result in a government ban of our products.

Disruptions to or our failure to upgrade and adjust our information technology systems globally may materially impair our operations, hinder our growth, and materially and adversely affect our business and results of operations.

We believe that an appropriate information technology ("**IT**") infrastructure is important to support our daily operations and the growth of our business. To this end, we are implementing a digital transformation within the Company to better streamline processes and support our business strategy. Our technological and digital investments are geared towards operational enhancements in supply chain management and production, along with improvement of our go-to-market tools.

If we experience difficulties in implementing new or upgraded information systems or experience significant system failures, or if we are unable to successfully modify our management information systems or respond to changes in our business needs, we may not be able to effectively manage and grow our business, and we may fail to meet our reporting obligations. Additionally, if our current back-up storage arrangements and our disaster recovery plan are not operated as planned, we may not be able to effectively recover our information system in the event of a crisis, which may materially and adversely affect our business and results of operations.

In the current environment, there are numerous and evolving risks to cybersecurity and privacy, including criminal hackers, hacktivists, state-sponsored intrusions, industrial espionage, employee malfeasance and human or technological error. High-profile security breaches at other companies and in government agencies have increased in frequency and sophistication in recent years. Although we take steps designed to secure our IT infrastructure and sensitive data and enhance our business continuity and disaster recovery capabilities, we can provide no assurance that our current IT system or any updates or upgrades thereto, the current or future IT systems of our distributors or re-sellers or the IT systems of online paying agents that we use or may use in the future, are fully protected against third-party intrusions, viruses, hacker attacks, information or data theft or other similar risks. We carry data protection liability insurance against cyber-attacks, however the potential magnitude of cyber events and the exception to these policies means that we may not be able to recover our damages from such an event.

We have experienced and expect to continue to experience actual and attempted cyber-attacks of our IT networks, such as through phishing scams and ransomware. Although none of these actual or attempted cyber-attacks has had a material adverse impact on our operations or financial condition, we cannot guarantee that any such incidents will not have such an impact in the future. Furthermore, a cyber-attack that bypasses our IT security systems or those of our distributors, re-sellers, online paying agents or other third party contractors, causing an IT security breach, could lead to a material disruption of our information systems, the loss of business information and loss of service to our customers, which could, among other things, disrupt our business, force us to incur costs or cause reputational damage. There is no assurance that we will be insulated from claims relating to cyber-attacks or withstand legal challenges in relation to our agreements with third parties. Additionally, we have access to sensitive information relating to our employees as well as business partners and customers in the ordinary course of business. Any failure or perceived failure by us, or our third-party contractors on our behalf, to comply with local and foreign laws regarding privacy and data security, as well as contractual commitments in this respect, may result in governmental enforcement actions, fines, or litigation, which could have an adverse effect on our reputation and business. If a significant data breach occurred, our reputation could be materially and adversely affected, confidence among our customers may be diminished, or we may be subject to legal claims, any of which may contribute to the loss of customers and have a material adverse effect on us. To the extent that such disruptions or uncertainties result in delays or cancellations of customer orders or the manufacture or shipment of our products, or in theft, destruction, loss, misappropriation or release of our confidential data or our intellectual property, our business and results of operations could be materially and adversely affected.

These risks will increase as we increase our cooperation with and reliance on third party contractors that provide cloud solutions and store increasingly large amounts of data, as part of our digital focus and enhancement of go to market tools.

Legislative or regulatory action in these areas is also evolving, and we may be unable to adapt our IT systems or to manage the IT systems of third parties to accommodate these changes. Increasing regulatory focus on information security and data privacy issues and expanding laws in these areas may result in increased compliance costs and expose us to increased liability. Globally, new, and emerging laws, such as the General Data Protection Regulation ("**GDPR**") in Europe and state laws in the U.S. on privacy, data and related technologies, such as the California Consumer Privacy Act ("**CCPA**") and California Privacy Rights Act ("**CPRA**"), create new compliance obligations, create new private rights of action and expand the scope of potential liability, either jointly or severally with our customers and suppliers. The GDPR, which became effective on May 25, 2018, imposed new compliance obligations for the collection, use, retention, security, processing, transfer and deletion of personally identifiable information of individuals and created enhanced rights for individuals. The CCPA, which grants expanded rights to access and delete personal information, and the right to opt out of the sale of personal information, among other things, became effective on January 1, 2020. The CPRA significantly amended and expanded the CCPA and grants consumers more control over personal data, enabling rights like access, deletion, and correction. Businesses must establish processes for effective handling of requests and compliance with these rights, became effective on December 16, 2020. These and any other new and emerging laws and regulations may force us to bear the burden of more onerous obligations in our contracts or otherwise increase our potential liability to customers, regulators, or other third parties.

Cybersecurity and complying with personal data rights pose economic, operational, and reputational risks. If we are unable to implement the technological and digital projects required to support our future growth and profitability in compliance with applicable rules and regulations, our business and results of operations will be materially adversely affected. In addition, the devotion of additional resources to the security of our information technology systems in the future could significantly increase the cost of doing business or otherwise adversely impact our financial results.

Since the COVID-19 pandemic, a greater number of our employees are working remotely and accessing our IT systems and networks remotely, which may further increase our vulnerability to cybercrimes and cyberattacks and increase the stress on our technology infrastructure and systems. Although we maintain data protection liability insurance, exclusions from coverage are added into these policies and coverage may not be sufficient to cover all our losses from any future breaches or failures of our IT systems, networks and services.

The steps that we have taken to protect our brand, technology and other intellectual property may not be adequate, and we may not succeed in preventing others from appropriating our intellectual property.

We believe that our trademarks (registered and unregistered) are important to our brand, success, and competitive position. We anticipate that, as the countertop market becomes increasingly competitive, maintaining and enhancing our brand, proprietary technology and other intellectual property may become more important, difficult, and expensive. In the past, some of our trademark applications for certain classes of applications, our products, have been rejected or opposed in certain markets. We have in the past, are currently, and may in the future be, subject to opposition proceedings with respect to applications for registration of our intellectual property, such as our trademarks. As with all intellectual property rights, such application may be rejected entirely or awarded subject to certain limitations such as territories, any current or future markets or applications. These limitations to registering our brand names and trademarks in various countries and applications may restrict our ability to promote and maintain a cohesive brand throughout our key markets, which could materially harm our competitive position and materially and adversely impact our results of operations. Additionally, if we are unsuccessful in challenging a third party's products based on trademark infringement, continued sales of such products could materially and adversely affect our sales and our brand and result in the shift of consumer preference away from our products.

There can be no assurance that new or pending patent applications for our technologies and products will be approved in a timely manner or at all, or that, if granted, such patents will effectively protect our intellectual property. There can be no assurance that we will develop patentable intellectual property in the future, and we have chosen and may further choose not to pursue patents for innovations that are material to our business.

While we continue to make significant investments in innovating the design of our products and register design patents on selected models, it may not be adequate to prevent our competitors from imitating our designs and copying our innovative ideas.

We also retain significant trade secrets & know how, that for various reasons we are not pursuing their formal registration but rely on retaining their confidentiality through confidentiality agreements with our consultants, suppliers, customers, employees and managers, our know-how and trade secrets could be disclosed to third parties, which could cause us to lose any competitive advantage resulting from such know-how or trade secrets, as well as related intellectual property protections in certain cases. The potential for know-how leakage has recently increased, with our increased sourcing of more advanced products from our PBPs.

The actions we take to establish and protect our intellectual property may not be adequate to prevent unlawful copy and use of our technology by third parties or the imitation of our products and the offering of them under our trademarks by others. These actions may also not be adequate to prevent others, including our competitors, from obtaining intellectual property rights overcoming ours, and limiting or blocking the production and sales of our existing or future products and applying certain technologies. Our competitors may seek to limit our marketing and offering of products relying on their alleged intellectual property rights.

We may face significant expenses and liability in connection with the protection of our intellectual property rights in and outside the United States. The laws of certain foreign countries may not protect intellectual property rights to the same extent as the laws of the United States.

Third parties have claimed, and may from time-to-time claim, that our current or future products infringe their patent or other intellectual property rights. Under such circumstances, we may be required to expend significant resources to contest such claims and, in the event that we do not prevail, we may be required to seek a license for certain technologies, develop non-infringing technologies or discontinue some of our products. In addition, any future intellectual property litigation, regardless of its outcome, may be expensive, divert the efforts of our personnel and disrupt or damage relationships with our customers.

For more information, see “ITEM 4.B: Information on the Company—Business Overview—Intellectual Property.”

We may have exposure to greater-than-anticipated tax liabilities.

The determination of our worldwide provision for income taxes and other tax liabilities requires significant judgment, and there are many transactions and calculations where the ultimate tax determination is uncertain. We have applied the guidance in ASC 740, “Income Taxes” in determining our accrued liability for unrecognized tax benefits, which totaled approximately $2.9 million in 2022 and 2023. See also note 12 to our financial statements included elsewhere in this report. Although we believe our estimates are reasonable, the ultimate outcome may differ from the amounts recorded in our financial statements and may materially affect our financial results in the period or periods for which such determination is made.

We have entered into transfer pricing arrangements that establish transfer prices for our inter-company operations. However, our transfer pricing procedures are not binding on the applicable taxing authorities. The amount of income tax that we pay could be materially and adversely affected by earnings being lower than anticipated in jurisdictions where we have lower statutory rates and higher than anticipated in jurisdictions where we have higher statutory rates. From 2015 onward, our U.S. manufacturing operations also carry inter-company transactions at transfer prices and arrangements set by us. We cannot be certain that tax authorities will not disfavor our inter-company arrangements and transfer prices in the relevant jurisdictions. Taxing authorities outside of Israel could challenge our allocation of income between us and our subsidiaries and contend that a larger portion of our income is subject to tax in their jurisdictions, which may have higher tax rates than the rates applicable to such income in Israel. Any adjustment in one country while not followed by counter-adjustment in the other country, may lead naturally to double taxation for the group. Any change to the allocation of our income as a result of review by such taxing authorities could have a negative effect on our operating results and financial condition.

Our facility in Israel receives different tax benefits as "Preferred Enterprises" under the Israeli Law for the Encouragement of Capital Investments, 1959 ("**Investment Law**"), with our production lines qualifying to receive different grants and/or reduced company tax rates (7.5% for Bar Lev activity, 16% for Sdot Yam activity, while 23% is the statutory tax rate in Israel). Therefore, some of our production lines also receive tax benefits based on our revenues and the allocation of those revenues between our facilities in Israel. In addition, the portion of our products manufactured by our PBPs is growing, and as a result of these factors, the Israeli taxing authorities could challenge our allocation of income and contend that a larger portion of our income is subject to higher tax rates. In Israel, there are no tax benefits to production outside of the country. As such, our portion of taxable income in Israel that relates to the growing portion produced by our PBPs might not have tax benefits, based on certain interpretations. The Israel Tax Authority ("**ITA**") could challenge the allocation of income related to production in Israel and income related to production outside of Israel, which may result in significantly higher taxes. There are currently no legal regulations governing this allocation and certain of the ITA's internal guidelines have ambiguities. Moreover, we may lose all our tax benefits in Israel in the event that our manufacturing operations outside of Israel exceed certain production levels (currently set at 50% of the overall production and subject to future changes by the ITA).

In the United States, H.R. 1, originally known as the 2017 Tax Cuts and Jobs Act (the "**TCJA**") made significant changes to the U.S. Internal Revenue Code, including a reduction in the federal income corporate tax rate from a top marginal rate of 35% to a flat rate of 21% and limitations on certain corporate deductions and credits. In addition, the TCJA requires complex computations to be performed that were not previously required in U.S. tax law, significant judgments to be made in interpretation of the provisions of the TCJA and significant estimates in calculations, and the preparation and analysis of information not previously relevant or regularly produced. The U.S. Treasury Department, the IRS, and other standard-setting bodies could interpret or issue guidance on how provisions of the TCJA will be applied or otherwise administered that is different from our interpretation. Finally, foreign governments may enact tax laws in response to the TCJA that could result in further changes to global taxation and materially affect our financial position and results of operations. While we have provided the effect of the TCJA in our Consolidated Financial Statements as included in Note 12 to our financial statements included elsewhere in this report, the application of accounting guidance for various items and the ultimate impact of the TCJA on our business are currently uncertain.

We are entitled to a property tax abatement (starting in the 2014 tax year) with respect to our U.S manufacturing facility and the capital investment made in such facility for ten years at 100% and an additional five years at 50% subject to our satisfaction of certain qualifying terms with respect to headcount, average salaries paid to our employees and total capital investment amount in our U.S manufacturing facility. The tax abatement is granted pursuant to bond purchase loan agreements we entered with the Development Authority of Bryan County. If we do not meet the qualifying terms of the bond, we will bear the applicable property tax, which will be recognized in our operating costs, and which would materially and adversely impact our projected margins and results of operations. See "ITEM 4.D: Information on the Company—Property, Plants and Equipment."

Environmental, health and safety regulations, industry standards and other similar matters may be costly, difficult or impossible to comply with under our existing operations and could negatively impact our financial condition and results of operations.

Our manufacturing facilities are subject to numerous Israeli and Indian federal and Gujarati laws and regulations which may cause us to incur significant costs and liabilities. We are also subject to industry standards and policies imposed by our customers (such as large retailers), relating to environmental, health and safety, as well as other matters such as dust exposure, acetone and styrene control, as further detailed in "ITEM 4.B: Information on the Company—Business Overview—Environmental and Other Regulatory Matters." Other aspects of our activities are subject to local laws wherever we operate, including Canada, Australia, Singapore, the United Kingdom and Sweden. These laws, ordinances and regulations can be subject to change and such changes could result in increased compliance costs or otherwise adversely affect us. For example, during February 2022, Israel adopted a long-term goal for the reduction of environmental styrene emissions. Although such goal is not expected to impact our current operations, the adoption of new regulations could create an additional burden for any future investment in our Israeli Bar-Lev facility. Violations of environmental, health and safety laws and regulations may lead to civil and criminal sanctions against us, our directors, officers or employees. Liability under these laws and regulations and compliance with various industry standards and policies involves inherent uncertainties and, in some cases, may compel the installation of additional equipment and subject us to substantial penalties, injunctive orders and facility shutdowns, as well as damages to our reputation and brand and may therefore lead to loss in revenue. If our operations are enjoined because of failure to comply with such regulations, or if we are required to install expensive equipment to meet regulatory requirements, it could materially adversely affect the results of operations. Any contemplated expansion of our facilities will also need to meet standards imposed by laws, regulations, and other industry standards. Violations of environmental laws could also result in obligations to investigate or remediate potential contamination, third-party property damage or personal injury claims resulting from potential migration of contaminants off-site. Violations of such laws and regulations may also constitute a breach of current or future commercial contracts we have with third parties and impact our cooperation with customers and suppliers. We have identified in the past and may identify in the future compliance risks related to environmental and health and safety regulation standards. Preparation and implementation of mitigation plans for such risks may take time during which we may not be in full compliance with applicable laws and standards.

In addition, the operation of our manufacturing facilities in Israel, and India (Gujarat) are subject to applicable permits, standards, licenses and approvals. Any expansions or improvements to our facilities will be subject to obtaining appropriate permits, and we cannot be certain that such permits will be obtained in a timely matter, or at all. For detailed information, see “ITEM 4.B: Information on the Company—Business Overview—Environmental and Other Regulatory Matters”. We expect our business licenses to be extended by the relevant authorities for a specified term and we intend to seek subsequent extensions on an ongoing basis. Generally, failure to obtain a permit or license required for the operation of our facilities, or failure to comply with the requirements thereunder, may result in civil and criminal penalties, fines, court injunctions, imprisonment, and operations stoppages. If we are unable to obtain, extend or maintain the business license for any of our plants, we would be required to cease operations there, which would materially adversely affect the results of operations. Our ability to obtain necessary permits and approvals for our manufacturing facilities may be subject to additional costs and possible delays beyond our initial projections. In addition, in order to demonstrate compliance with underlying permits, licenses or approvals, we are required to perform a considerable amount of monitoring, record-keeping and reporting and may incur material costs or liabilities in connection with any violations, or in connection with remediation at our sites or certain third-party manufacturing sites if we are found liable in relation thereto.

From time to time, we face compliance issues related to our manufacturing facilities. See “ITEM 4.B: Information on the Company—Business Overview—Environmental and Other Regulatory Matters” for additional information on compliance with environmental, health and safety and other relevant regulations relating to our facilities, including with respect to our compliance with styrene ambient air standards and dust emission occupational health standards.

New environmental laws and regulations, new interpretations of existing laws and regulations, increased governmental enforcement or other developments in Israel, and India (Gujarat) could require us to make additional unforeseen expenditures. These expenditures and other costs for environmental compliance could have a material adverse effect on our business’s results of operations, financial condition and profitability. The range of reasonably possible losses from our exposure to environmental liabilities in excess of amounts accrued to date cannot be reasonably estimated at this time. For example, recently the Israeli Ministry of Environmental Protection added to the requirements involved in extending our ability to hold certain materials conditioned on cyber security investments.

In addition, our manufacturing, distribution, and other facilities are subject to health and safety regulations. Although we introduced safety rules and procedures at all our facilities and provide safety training to our employees and contractors on a regular basis, breaches of such safety measures have occurred in the past and may occur in the future. If our employees or contractors do not follow and we do not successfully enforce the safety procedures established in our facilities or otherwise do not meet the relevant laws and standards, our employees or contractors may be subject to work-related injuries. As a result, we and our officers and directors could be subject to claims, fines, orders and injunctions due to workplace accidents involving our employees or contractors. Although we maintain workers’ compensation and liability insurance, it may not provide adequate coverage against potential liabilities and can expose us, our directors and officers to administrative and criminal proceedings.

Other than as described above, we cannot predict whether we may become liable under environmental, product liability and health and safety statutes, rules, regulations and case law of the countries in which we operate. The amount of any such liability in the future or its impact on our business operation otherwise could be significant and may adversely impact our financial condition and results of operations.

From time to time, we are subject to litigation, disputes, or other proceedings, which could result in unexpected expenses and time and resources that could have a materially adverse impact on our results of operation, profit margins, financial condition, and liquidity.

We are currently involved in several legal disputes, including against certain fabricators (our customers) and their employees in Israel, Australia, and the United States, as well as against our former workers, as further detailed in "ITEM 8.A: Financial Information—Consolidated Financial Statements and Other Financial Information—Legal Proceedings." In addition, from time to time, we are involved in other legal proceedings and claims in the ordinary course of business related to a range of matters, including contract law, intellectual property rights, employment, product liability and warranty claims (including class actions), and claims related to modification and adjustment, or replacement of product surfaces sold.

The outcome of litigation and other legal matters is always uncertain, and the actual outcome of any such proceedings may materially differ from estimates. An adverse ruling in these proceedings could have a materially adverse effect on us. If we are unsuccessful in defending such claims or elect to settle any of these claims, we could incur material costs and could be required to pay varying amounts of monetary damages, some of which may be significant, and/or incur other penalties or sanctions, some, or all of which may not be covered by insurance. Although we maintain product liability insurance, we cannot be certain that our coverage, if applicable, will be adequate for liabilities actually incurred or that insurance will continue to be available to us on economically reasonable terms, or at all. These material costs could have a materially adverse effect on our business, results of operations and financial condition.

Failure to meet ESG expectations or standards or a failure to effectively pursue our ESG goals could adversely affect our business, results of operations, financial condition, or stock price.

Environmental Social and Governance (or "ESG") matters, including greenhouse gas emissions, diversity and inclusion, responsible sourcing, human rights, and corporate governance, have gained increased attention from regulators, customers and other stakeholders. In line with our commitment to ESG, as demonstrated by latest ESG report in 2023, we have established certain ESG goals; however, achieving these goals is not guaranteed and may be hindered by operational, regulatory, reputational, financial, legal, and other factors. Additionally, accounting standards and regulations surrounding ESG are subject to change and may result in additional costs for compliance. As the pathway towards achieving such evolving goals is uncertain, we may exert extensive efforts that would not yield our desired results or become a high financial burden. If we fail to meet ESG expectations, it could harm our reputation, negatively impact customer and talent retention, and lead to increased scrutiny from investors and authorities. Damage to our reputation could also reduce demand for our products and services and negatively impact our financial results.

Our operating results may suffer due to our failure to manage our international operations effectively or due to regulatory changes in foreign jurisdictions where we operate

Our products are sold in over 60 countries throughout the world, our raw materials, equipment, and machinery are acquired in different countries, our products are manufactured by us in Israel and India, and by our PBP across the world, while our global management operates from Israel. We are therefore subject to risks associated with having global operations, including risks related to complying with the law and regulations of various foreign governments and regulatory authorities. These laws and regulations may apply to us, our subsidiaries, individual directors, officers, employees, and agents, and may restrict our operations, trade practices, investment or acquisition decisions or partnership opportunities. Accordingly, our sales, purchases and operations are subject to risks and uncertainties, including, but not limited to:

- fluctuations in exchange rates and currency exchange regulation;
- fluctuations in land and sea transportation costs, as well as delays or other changes in transportation and other time-to-market delays, including as a result of strikes;
- compliance with unexpected changes in regulatory requirements;
- compliance with a variety of regulations and laws in each relevant jurisdiction;
- difficulties in collecting accounts receivable and longer collection periods;
- changes in tax laws and interpretation of those laws;

- taxes, tariffs, quotas, custom duties, trade barriers and other similar restrictions on our sales, purchases and exports which could be imposed by certain jurisdictions;

- negative or unforeseen consequences resulting from the introduction, termination, modification, or renegotiation of international trade agreements or treaties or the imposition of countervailing measures or antidumping duties or similar tariffs;

- difficulties enforcing intellectual property and contractual rights in certain jurisdictions; and

- economic changes, geopolitical regional conflicts, including military conflict in the Middle East and the invasion of Ukraine by Russia, terrorist activity, political unrest, civil strife, acts of war, strikes and other economic or political uncertainties.

Significant political developments could also have a materially adverse effect on us.

In the United States, due to our substantial sales, distribution, import and manufacturing operations, potential or actual changes in fiscal, tax and labor policies could have uncertain and unexpected consequences that materially impact our business, results of operations and financial condition.

Tariffs, taxes, or other trade barriers could require us to change manufacturing sources, reduce prices, increase spending on marketing or product development, withdraw from or not enter certain markets or otherwise take actions that could be adverse to us. The U.S. federal government may propose additional changes to international trade agreements, tariffs, taxes, and other government rules and regulations. These regulatory changes could significantly impact on our business and financial performance. For example, the expansive sanctions being imposed by the U.S., EU and other countries against Russia, and any proposed changes to the prior imposition of tariffs on imports from China, Mexico, India and others. Given the unpredictable nature of the U.S.-China relationship and its sizable impact on global economic stability, our business and operating success may be materially adversely affected if recent normalization attempts by these two countries do not endure and additional tariffs or other restrictions on free trade are imposed by either country. Any such changes may impact the level of free trade or tariff prices on goods imported into the United States. Moreover, changes in U.S. political, regulatory, and economic conditions or in its policies governing international trade and foreign manufacturing and investment in the U.S. could adversely affect our sales in the U.S.

The regulatory framework for privacy and data security issues worldwide is currently in flux and is likely to remain so for the foreseeable future. A failure by us or a third-party contractor providing services to us to comply with applicable privacy and data security laws and regulations may result in sanctions, statutory or contractual damages or litigation.

All these risks could also result in increased costs or decreased revenues, either of which could have a materially adverse effect on our profitability. As we continue to expand our business globally, we may have difficulty anticipating and effectively managing these and other risks that our global operations may face, which may materially and adversely affect our business outside of Israel and our financial condition and results of operations.

Certain U.S. holders of our ordinary shares may suffer adverse tax consequences if we or any of our non-U.S. subsidiaries are characterized as a "controlled foreign corporation", or a CFC, under Section 957(a) of the Internal Revenue Code of 1986, as amended.

A non-U.S. corporation is considered a CFC if more than 50% of (1) the total combined voting power of all classes of stock of such corporation entitled to vote, or (2) the total value of the stock of such corporation, is owned, or is considered as owned by applying certain constructive ownership rules, by United States shareholders who each own stock representing 10% or more of the vote or 10% or more of the value on any day during the taxable year of such non-U.S. corporation ("**10% U.S. Shareholder**"). Because our group includes one or more U.S. subsidiaries, certain of our non-U.S. subsidiaries could be treated as CFCs (regardless of whether we are treated as a CFC). Generally, 10% U.S. Shareholders of a CFC are required to report annually and include currently in its U.S. taxable income such 10% U.S. Shareholder's pro rata share of the CFC's "Subpart F income", "global intangible low-taxed income", and investments in U.S. property by CFCs, regardless of whether we make an actual distribution to such shareholders. "Subpart F income" includes, among other things, certain passive income (such as income from dividends, interests, royalties, rents and annuities or gain from the sale of property that produces such types of income) and certain sales and services income arising in connection with transactions between the CFC and a person related to the CFC. An individual that is a 10% U.S. Shareholder with respect to a CFC generally would not be allowed certain tax deductions or foreign tax credits that would be allowed to a 10% U.S. Shareholder that is a U.S. corporation. Failure to comply with these reporting obligations may subject a 10% U.S. Shareholder to significant monetary penalties and may prevent the statute of limitations with respect to such shareholder's U.S. federal income tax return for the year for which reporting was due from starting. We cannot provide any assurances that we will assist investors in determining whether any of our non-U.S. subsidiaries is treated as a CFC or whether any investor is treated as a 10% U.S. Shareholder with respect to any such CFC or furnish to any 10% U.S. Shareholders information that may be necessary to comply with the aforementioned reporting and tax payment obligations. A United States investor should consult its tax advisors regarding the potential application of these rules to an investment in our ordinary shares.

<u>Risks Related to our Relationship with Kibbutz Sdot-Yam</u>

Our directors and employees who are members of Kibbutz Sdot-Yam and Tene may have conflicts of interest with respect to matters involving the Company.

As of March 1, 2024, the Kibbutz, together with Tene, being parties to a Shareholders Agreement, beneficially owned 14,029,494 constituting approximately 40.6% of our shares. Both the Kibbutz and Tene are deemed our controlling shareholders under the Israeli Companies Law, 5759-1999 (the "**Companies Law**"). For more information, see "ITEM 7.A. Major Shareholders and Related Party Transactions—Major Shareholders." Three members of our board of directors and a number of our employees are members of the Kibbutz, and we continue to have an operational and business relationship with the Kibbutz. Certain of these individuals also serve in different positions in the Kibbutz, including Chairman of the Kibbutz's Economic Council and its Chief Financial Officer. Such individuals have fiduciary duties to both us and Kibbutz Sdot-Yam. As a result, our directors who are members of the Kibbutz may have real or apparent conflicts of interest on matters affecting both us and the Kibbutz and, in some circumstances, such individuals may have interests adverse to us. For example, in the annual general meeting of our shareholders held in December 2015, the Kibbutz opposed the independent nominees our board of directors proposed to nominate to the board and suggested two alternative nominees identified by the Kibbutz as independent. In addition, our chairman of the board of directors, also serve as partner in Tene. Since these individuals have fiduciary duties to both us and Tene, there may be real or apparent conflicts of interest in this respect as well. See "ITEM 6.A: Directors, Senior Management and Employees—Directors and Senior Management."

Regulators and other third parties may question whether our agreements with Kibbutz Sdot-Yam are no less favorable to us than if they had been negotiated with unaffiliated third parties.

Our headquarters, research and development facilities and our manufacturing facility in Israel is located on lands owned or leased by the Kibbutz. We have entered into certain land use and other agreements with the Kibbutz pursuant to which the Kibbutz provides us with, among other things, a portion of our labor force, electricity, maintenance, security, and other services. We believe that such services are rendered to us in the normal course of business, and they represent at arm's length terms. Nevertheless, a determination with respect to such matters requires subjective judgments regarding valuations. Regulators and other third parties may question whether our agreements with the Kibbutz are in the ordinary course of our business and are no less favorable to us than if they had been negotiated with unaffiliated third parties. The tax treatment for these transactions may also be called into question, which could have a materially adverse impact on our operating results and financial condition. See "ITEM 7.B: Major Shareholders and Related Party Transactions—Related Party Transactions."

Under Israeli law, our board, audit committee and shareholders may be required to reapprove certain of our agreements with Kibbutz Sdot-Yam every three years, and absence of such approval may expose us to liability and cause significant disruption to our business.

The Companies Law requires that the authorized corporate organs of a public company approve every three years any extraordinary transaction in which a controlling shareholder has a personal interest and that has a term of more than three years, unless a company's audit committee determines, solely with respect to agreements that do not involve compensation to a controlling shareholder or his or her relatives, in connection with services rendered by any of them to the company or their employment with the company, that a longer term is reasonable under the circumstances. Our implementation of this requirement with respect to the agreements entered between us and the Kibbutz may be challenged by regulators and other third parties.

Our audit committee has determined that the terms of all the agreements entered between us and the Kibbutz are reasonable under the relevant circumstances. See "ITEM 7.B: Major Shareholders and Related Party Transactions—Related Party Transactions." The extension of our services agreement with the Kibbutz has been approved in 2021 under the Companies Law requirements and is subject to re-approval in 2024.

If the relevant corporate organs do not re-approve the agreements in accordance with the Companies Law, we will be required to terminate such agreements, which may expose us to damage claims and legal fees, and cause disruption to our business. In addition, we would be required to find suitable replacements for the services provided to us by the Kibbutz under the services agreement, which may take time, and we can provide no assurance that we can obtain the same or better terms with a third party than those we have agreed to with the Kibbutz.

Pursuant to certain agreements between us and Kibbutz Sdot-Yam, we depend on Kibbutz Sdot-Yam with respect to leasing the buildings and areas of our manufacturing facility in Israel.

Our Bar-Lev facility is leased from the Kibbutz pursuant to a land purchase and leaseback agreement effective as of September 1, 2012. The land purchase and leaseback agreements were simultaneously executed with a land use agreement pursuant to which the Kibbutz permits us to use the site for a period of ten years with an automatic renewal for an additional ten years unless we provide the Kibbutz two years' advance notice that we do not wish to renew the lease. In 2021, the agreement was automatically extended for an additional ten-year period.

Our headquarters and R&D facilities remain in the Kibbutz, and are leased from the Kibbutz, pursuant to a land use agreement effective as of March 2012 for a period of 20 years. Pursuant to this agreement our headquarters must remain in the Kibbutz. As a result of these restrictions, our ability to move our Israeli headquarters elsewhere is limited. Our Sdot-Yam production facility ceased operations during 2023 as part of our operational restructuring plan announced in May 2023. Since then, we have been restoring the property, and begun marketing it in parcels for future sub-lease. Pursuant to our land use agreements, our ability to admit tenants requires the Kibbutz's consent, which may limit our ability to effectively sublease and offset in whole or in part or land-use payments.

In addition, we entered into agreements with the Kibbutz with respect to our Bar-Lev and Sdot-Yam facilities, stating that in the event of a material change in the payments made by the Kibbutz to the Israeli lands administration (the "ILA") or the Caesarea Development Corporation or changes in the market conditions, every three years the Kibbutz may appoint an independent appraiser to reassess the fees we agreed to pay to the Kibbutz in light of such changes. If an independent appraiser concludes that the fees payable by us to the Kibbutz for the Bar-Lev and Sdot-Yam facilities are below market, the Kibbutz can, in its sole discretion, adjust such fees to the market value with a binding effect on us. Such appraisal took place during 2021 and resulted in an increase of the lease fees. See "—Other factors impacting our results of operations— Agreements with Kibbutz Sdot-Yam."

For more information with respect to our agreements with the Kibbutz, see "ITEM 7.B: Major Shareholders and Related Party Transactions—Related Party Transactions."

Risks Related to our Ordinary Shares

The price of our ordinary shares may be volatile, and may be effected by expectations on our dividend payments and future impairments to our goodwill or other Intangible assets or other long-live.

The market price of our ordinary shares could be highly volatile and may fluctuate substantially (as indeed occurred in recent years during which our share price declined) as a result of many factors, including but not limited to (i) actual or anticipated fluctuations in our results of operations; (ii) our financial performance and the expectations of market analysts; (iii) announcements by us or our competitors of significant business developments, changes in distributor relationships, acquisitions or expansion plans; (iv) changes in the prices of our raw materials or the products we sell; (v) impact of regulatory changes on our industry (vi) our involvement in litigation, specifically for example, any adverse precedent set in Australia in connection with silica related claims; (vii) our sale of ordinary shares or other securities in the future; (viii) market conditions in our industry; (ix) changes in key personnel; (x) the trading volume of our ordinary shares; (xi) changes in the estimation of the future size and growth rate of our markets; (xii) changes in our board of directors, including director resignations; (xiii) actions of investors and shareholders, including short seller reports and proxy contests; (xiv) general economic and market conditions unrelated to our business or performance, such as increased shipping and handling markets, (xv) amount or timing of any dividend payments and may decide to pay dividends in the future or lack thereof nor their applicable tax rate.

As per the U.S. GAAP (ASC 350), we are required to test our goodwill for impairment an annual basis or whenever indicators for potential impairment exist. We are operating as one reporting unit for goodwill testing purposes. Due to the Company's market capitalization, higher interest rates and global slowdown in our markets, we conducted a goodwill impairment testing for the period ended December 31, 2022. As a result of this testing, we recorded an aggregate $44.8 million non-cash impairment charge related to goodwill in the fiscal year 2022. As of December 31, 2023, and 2022 our goodwill was fully impaired and the balance of the other intangibles was $8.8 million and $6.3 million, respectively. See also Note 7 to the financial statements included elsewhere in this annual report.

In addition, we tested our long-lived assets due to the same reasons mentioned above and the closure of our Sdot-Yam and Richmond Hill facilities. Such impairment test was in accordance with U.S. GAAP rules (ASC 360) and resulted in an impairment charge of $26.4 million and $28.5 million in 2022 and 2023, respectively. During 2023, we also recorded a right of use asset of $16.6 million related to Sdot Yam facility. See also Note 6 to the financial statements included elsewhere in this annual report. We are now taking steps to optimize Sdot-Yam "sub-leases" and realize the sale of our Richmond-Hill assets, including Real-estate, however our efforts may not be as successful as we plan.

This testing involves estimates and significant judgments by management. We believe our assumptions and estimates are reasonable and appropriate; however additional adverse changes in key assumptions, including a failure to meet expected earnings or other financial plans, unanticipated events and circumstances such as changes in assumptions about the duration and magnitude of increased supply chain and commodities costs and our planned efforts to mitigate such impacts, further disruptions in the supply chain, increases in tax rates (including potential tax reform) or a significant change in industry or economic trends could affect the accuracy or validity of such estimates and may result in an additional impairment. Any charge or charges could adversely affect our results of operations. See "Critical Accounting Estimates" in Item 5 herein for more information regarding goodwill and other long lived assets impairment testing. Therefore, although we have recorded said impairment charges this year, we cannot guarantee that we will not experience goodwill, other intangible assets or long-lived assets impairments in the future.

Our share price is impacted by reports from research analysts, publicly announced financial guidance, investor perceptions and our ability to meet other expectations about our business.

The trading market for our ordinary shares relies in part on the research and reports that equity research analysts publish about us and our business. During 2021, two analysts discontinued research coverage of our business. If additional analysts do not establish research coverage, or if the current research analyst ceases coverage of our company or fails to publish reports on our Company regularly, we could lose visibility in the market and demand for our shares may decline, which might cause our share price and trading volume to decline.

The price of our ordinary shares could also decline if one or more securities analysts downgrade our ordinary shares or if one or more of those analysts issue other unfavorable commentaries. The market price for our ordinary shares has been in the past, and may be in the future, materially and adversely affected by statements made in reports issued by short sellers regarding our business model, our management and our financial accounting. In the past, we have also faced difficulty accurately projecting our earnings and have missed certain of our publicly announced guidance. If our financial results for that period do not meet our guidance or if we reduce our guidance for future periods, the market price of our ordinary shares may decline. We have experienced in the past, and may experience in the future, a decline in the value of our shares as a result of the foregoing factors and the other various factors reflected in the Item. For example, during the second quarter of 2023, our share price dropped to an all-time low of US$ 3.53 per share.

ESG and sustainability reporting is becoming more broadly expected by investors, shareholders and other third parties. We may face reputational damage in the event our corporate responsibility initiatives or objectives do not meet the standards set by our investors, shareholders, lawmakers, listing exchanges or other constituencies, or if we are unable to achieve an acceptable ESG score. A low ESG or sustainability rating by a third-party rating service could also result in the exclusion of our ordinary shares from consideration by certain investors. The ongoing focus on corporate responsibility matters by investors and other parties as described above may impose additional costs or expose us to new risks. See also "—Failure to meet ESG expectations or standards or achieve our ESG goals could adversely affect our business, results of operations, financial condition, or stock price."

The substantial share ownership position of Kibbutz Sdot-Yam and Tene will limit your ability to influence corporate matters.

As of March 1, 2024, the Kibbutz and Tene beneficially owned 14,029,494 ordinary shares constituting 40.6% of our outstanding ordinary shares. As a result of this concentration of share ownership and their voting agreement described above, the Kibbutz and Tene are considered controlling shareholders under the Israeli Companies Law, and, acting on their own or together, will continue to have significant voting power on all matters submitted to our shareholders for approval. These matters include:

- the composition of our board of directors (other than external directors);
- approving or rejecting a merger, consolidation, or other business combination; and
- amending our articles of association, which govern the rights attached to our ordinary shares.

This concentration of ownership of our ordinary shares could delay or prevent proxy contests initiated by other shareholders, mergers, tender offers, open-market purchase programs or other purchases of our ordinary shares that might otherwise give you the opportunity to realize a premium over then-prevailing market price of our ordinary shares. The interests of the Kibbutz or Tene may not always coincide with the interests of our other shareholders. This concentration of ownership may also lead to proxy contests. For example, prior to the voting arrangement between Tene and the Kibbutz, in connection with our annual general meeting of shareholders held in December 2015, the Kibbutz issued a proxy to our shareholders, in which it opposed the independent nominees our board of directors proposed to nominate to the board and suggested two alternative nominees. Such initiatives, which may not coincide with the interests of our other shareholders, result in us incurring unexpected costs and could divert our management's time and attention. This concentration of ownership may also materially and adversely affect our share price.

In recent years, Israeli issuers listed on securities exchanges in the United States have also been faced with governance-related demands from activist shareholders, unsolicited tender offers and proxy contests. Responding to these types of actions by activist shareholders could be costly and time-consuming for management and our employees and could disrupt our operations or business model in a way that would interfere with our ability to execute our strategic plan.

The market price of the Company's ordinary shares could be negatively affected by future sales of our ordinary shares.

As of March 1, 2024, we had 34,536,236 shares outstanding. This included approximately 14,029,494 ordinary shares, or 40.6% of our outstanding ordinary shares, beneficially owned by the Kibbutz and Tene, which can be resold into the public markets in accordance with the restrictions of Rule 144, including volume limitations, applicable to resales by affiliates or holders of restricted securities.

Sales by our major shareholders, the Kibbutz, Tene or other large shareholders of a substantial number of our ordinary shares in the public market, or the perception that these sales might occur, could cause the market price of our ordinary shares to decline or could materially impair our ability to raise capital through a future sale of, or pay for acquisitions using, our equity securities.

As of March 1, 2024, 5,775,000 ordinary shares were reserved for issuance under our 2011 option plan and our 2020 Share Incentive Plan of which options to purchase 2,641,550 ordinary shares were outstanding, with a weighted average exercise price of $7.49 per share, and 71,676 restricted stock units ("**RSUs**") were outstanding. To the extent they are covered by our registration statements on Form S-8, these shares may be freely sold in the public market upon issuance, except for shares held by affiliates who have certain restrictions on their ability to sell.

Our articles of association designate the federal district courts of the United States as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our shareholders.

Our articles of association provide that, unless we consent in writing to the selection of an alternative forum, the U.S. federal district courts shall be the sole and exclusive forum for any claim asserting a cause of action arising under the Securities Act. Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. Accordingly, both state and federal courts have jurisdiction to entertain such claims. We note that investors cannot waive compliance with U.S. federal securities laws and the rules and regulations thereunder. This choice of forum provision may limit a shareholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees and may increase the costs associated with such lawsuits, which may discourage such lawsuits against us and our directors, officers and employees. Alternatively, if a court were to find these provisions of our articles of association inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business and financial condition. Any person or entity purchasing or otherwise acquiring any interest in our share capital shall be deemed to have notice of and to have consented to the choice of forum provisions of our articles of association described above. This provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act or any other claim for which the U.S. federal courts have exclusive jurisdiction.

As a foreign private issuer whose shares are listed on the Nasdaq Global Select Market, we may follow certain home country corporate governance practices instead of certain Nasdaq requirements.

As a foreign private issuer whose shares are listed on the Nasdaq Global Select Market, we are permitted to follow certain home country corporate governance practices instead of certain requirements of the rules of Nasdaq. We rely on this “home country practice exemption” with respect to the quorum requirement for shareholder meetings. Whereas under the listing rules of the Nasdaq Stock Market, a quorum requires the presence, in person or by proxy, of holders of at least 331/3% of the total issued outstanding voting power of our shares at each general meeting of shareholders, pursuant to our articles of association, and as permitted under the Companies Law, the quorum required for a general meeting of shareholders consists of at least two shareholders present in person or by proxy in accordance with the Companies Law, who hold or represent at least 33 1/3% of the total outstanding voting power of our shares, except if (i) any such general meeting of shareholders was initiated by and convened pursuant to a resolution adopted by the board of directors and (ii) at the time of such general meeting, we qualify to use the forms and rules of a “foreign private issuer,” the requisite quorum will consist of two or more shareholders present in person or by proxy who hold or represent at least 25% of the total outstanding voting power of our shares (and if the meeting is adjourned for a lack of quorum, the quorum for such adjourned meeting will be, subject to certain exceptions, any number of shareholders).

In the future, we may also choose to follow Israeli corporate governance practices instead of Nasdaq requirements with regard to, among other things, the composition of our board of directors, compensation of officers and director nomination procedures. In addition, we may choose to follow Israeli corporate governance practice instead of Nasdaq requirements with respect to shareholder approval for certain dilutive events (such as for issuances that will result in a change of control of the company, certain transactions other than a public offering involving issuances of a 20% or more interest in the company and certain acquisitions of the stock or assets of another company) and for the adoption of, and material changes to, equity incentive plans. Accordingly, our shareholders may not be afforded the same protection as provided under Nasdaq corporate governance rules. Following our home country governance practices, as opposed to the requirements that would otherwise apply to a U.S. company listed on the Nasdaq Global Select Market, may provide less protection than is accorded to investors of domestic issuers. See “ITEM 16G: Corporate Governance.”

As a foreign private issuer, we are not subject to the provisions of Regulation FD or U.S. proxy rules and are exempt from filing certain Exchange Act reports.

As a foreign private issuer, we are exempt from the rules and regulations under the Exchange Act related to the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file annual and current reports and financial statements with the SEC as frequently or as promptly as U.S. domestic companies whose securities are registered under the Exchange Act, we are permitted to disclose limited compensation information for our executive officers on an individual basis and we are generally exempt from filing quarterly reports with the SEC under the Exchange Act. Moreover, we are not required to comply with Regulation FD, which restricts the selective disclosure of material nonpublic information to, among others, broker-dealers and holders of a company’s securities under circumstances in which it is reasonably foreseeable that the holder will trade in the company’s securities on the basis of the information. These exemptions and leniencies reduce the frequency and scope of information and protections to which you may otherwise have been eligible in relation to a U.S. domestic issuer.

We would lose our foreign private issuer status if (a) a majority of our outstanding voting securities were either directly or indirectly owned of record by residents of the United States and (b)(i) a majority of our executive officers or directors were United States citizens or residents, (ii) more than 50% of our assets were located in the United States or (iii) our business were administered principally in the United States. Our loss of foreign private issuer status would make U.S. regulatory provisions mandatory. The regulatory and compliance costs to us under U.S. securities laws as a U.S. domestic issuer may be significantly higher. If we are not a foreign private issuer, we will be required to file periodic reports and registration statements on U.S. domestic issuer forms with the SEC, which are more detailed and extensive than the forms available to a foreign private issuer. We would also be required to follow U.S. proxy disclosure requirements, including the requirement to disclose, under U.S. law, more detailed information about the compensation of our senior executive officers on an individual basis. We may also be required to modify certain of our policies to comply with accepted governance practices associated with U.S. domestic issuers. Such conversion and modifications will involve additional costs. In addition, we would lose our ability to rely upon Nasdaq exemptions from certain corporate governance requirements that are available to foreign private issuers.

Risks Relating to our Incorporation and Location in Israel

Conditions in Israel, including the recent attack by Hamas and other terrorist organizations from the Gaza Strip and elsewhere in the region, and Israel's war against them, may adversely affect our operations and limit our ability to market our products, which would lead to a decrease in revenues.

Important aspects of our operations are conducted in or managed from Israel, and a majority of the members of our board of directors and management as well as a many of our employees and consultants and customers and consumers, are directly affected by economic, political, geopolitical and military conditions in Israel. Since the establishment of the State of Israel in 1948, a number of armed conflicts have occurred between Israel and its neighboring countries and terrorist organizations active in the region. These conflicts have involved missile strikes, hostile infiltrations and terrorism against civilian targets in various parts of Israel, which have negatively affected business conditions in Israel.

In October 2023, Hamas terrorists infiltrated Israel's southern border from the Gaza Strip and conducted a series of attacks on civilian and military targets. Hamas also launched extensive rocket attacks on Israeli population and industrial centers located along Israel's border with the Gaza Strip and in other areas within the State of Israel. These attacks resulted in extensive deaths, injuries and kidnapping of civilians and soldiers. Following the attack, Israel's security cabinet declared war against Hamas and a military campaign against these terrorist organizations commenced in parallel to their continued rocket and terror attacks.

The intensity and duration of Israel's current war against Hamas is difficult to predict, as are such war's economic implications on the Company's business and operations and on Israel's economy in general. These events may be intertwined with wider macroeconomic indications of a deterioration of Israel's economic standing, which may have a material adverse effect on the Company and its ability to effectively conduct its operations. In addition, since the commencement of these events, there have been continued hostilities along Israel's northern border with Lebanon (with the Hezbollah terror organization) and southern border (with the Houthi movement in Yemen, as described below). It is possible that hostilities with Hezbollah in Lebanon will escalate, and that other terrorist organizations, including Palestinian military organizations in the West Bank as well as other hostile countries, such as Iran, will join the hostilities. Such clashes may escalate in the future into a greater regional conflict.

The intensity and duration of Israel's current war against Hamas is difficult to predict, as are such war's economic implications on the Company's business and operations and on Israel's economy in general. These events may be intertwined with wider macroeconomic indications of a deterioration of Israel's economic standing that may involve a downgrade in Israel's credit rating by rating agencies (such as the recent downgrade by Moody's of its credit rating of Israel from A1 to A2, as well as the downgrade of its outlook rating from "stable" to "negative"), which may have a material adverse effect on the Company and its ability to effectively conduct its operations.

In connection with the Israeli security cabinet's declaration of war against Hamas and possible hostilities with other organizations, several hundred thousand Israeli military reservists were drafted to perform immediate military service. Although many of such military reservists have since been released, they may be called up for additional reserve duty, depending on developments in the war in Gaza and along Israel's other borders. 42 of our employees and in Israel have been called for reserve duties, and additional employees may be called, for service in the current or future wars or other armed conflicts with Hamas, as well as the other pending or future armed conflicts in which Israel is or may become engaged, and such persons may be absent for an extended period of time. As a result, our operations may be disrupted by such absences, which disruption may materially and adversely affect our business and the results of operations. Additionally, the absence of employees of our Israeli suppliers and contract manufacturers due to their military service in the current or future wars or other armed conflicts may disrupt their operations, which in turn may materially and adversely affect our ability to deliver or provide products and services to customers.

The hostilities with Hamas, Hezbollah and other organizations and countries have included and may include terror, missile and drone attacks. In the event that our facilities are damaged as a result of hostile actions, or hostilities otherwise disrupt our ongoing operations, our ability to deliver or provide products and services in a timely manner to meet our contractual obligations towards customers and vendors could be materially and adversely affected. Our commercial insurance does not cover losses that may occur as a result of events associated with war and terrorism. Although the Israeli government currently covers the reinstatement value of direct damages that are caused by terrorist attacks or acts of war, we cannot assure you that such government coverage will be maintained or that it will sufficiently cover our potential damages. Any losses or damage incurred by us could have a material adverse effect on our business. In addition, some countries around the world restrict doing business with Israel and Israeli companies, and additional countries may impose restrictions on doing business with Israel and Israeli companies if hostilities in Israel or political instability in the region continue or increase. These restrictions may limit materially our ability to obtain raw materials from these countries or sell our products and provide our services to companies and customers in these countries. In addition, there have been increased efforts by activists and organizations to cause companies and consumers to boycott Israeli goods and services. In addition, in January 2024 the International Court of Justice, or ICJ, issued an interim ruling in a case filed by South Africa against Israel in December 2023, making allegations of genocide amid and in connection with the war in Gaza, and ordered Israel, among other things, to take measures to prevent genocidal acts, prevent and punish incitement to genocide, and take steps to provide basic services and humanitarian aid to civilians in Gaza. There are concerns that companies and businesses will terminate, and may have already terminated, certain commercial relationships with Israeli companies following the ICJ decision with the proceedings themselves may have a reputational adverse effect on Israeli brands, and so on our results. The foregoing efforts by countries, activists and organizations, particularly if they become more widespread, as well as the ICJ rulings and future rulings and orders of other tribunals against Israel (if handed), may materially and adversely impact our ability to sell and provide our products and services outside of Israel.

Furthermore, following Hamas' attack on Israel and Israel's security cabinet declaration of war against Hamas, the Houthi movement, which controls parts of Yemen, launched a number of attacks on marine vessels traversing the Red Sea, which marine vessels were thought to either be in route towards Israel or to be partly owned by Israeli businessmen. The Red Sea is a vital maritime route for international trade traveling to or from Israel. As a result of such disruptions, we have experienced in the past and may experience in the future delays in obtaining raw materials and other products upon which we rely, extended lead times, and increased cost of freight, increased insurance costs, purchased materials and manufacturing labor costs. The risk of ongoing supply disruptions may further result in delayed deliveries of our products. See "Adverse global conditions, including macroeconomic slowdowns or even recessions and the geopolitical instability, may negatively impact our financial results."

Finally, political conditions within Israel may affect our operations. Israel has held five general elections between 2019 and 2022, and prior to October 2023, the Israeli government pursued extensive changes to Israel's judicial system, which sparked extensive political debate and unrest. In response to such initiative, many individuals, organizations and institutions, both within and outside of Israel, voiced concerns that the proposed changes may negatively impact the business environment in Israel including due to reluctance of foreign investors to invest or transact business in Israel, as well as to increased currency fluctuations, downgrades in credit rating, increased interest rates, increased volatility in security markets and other changes in macroeconomic conditions. To date, these initiatives have been substantially put on hold. If such changes to Israel's judicial system are again pursued by the government and approved by the parliament, this may have an adverse effect on our business, our results of operations and our ability to raise additional funds, if deemed necessary by our management and board of directors.

Our operations may be affected by negative economic conditions or labor unrest in Israel.

General strikes or work stoppages, including at Israeli seaports, have occurred periodically or have been threatened in the past by Israeli trade unions due to labor disputes. These general strikes or work stoppages may have a materially adverse effect on the Israeli economy and on our business, including our ability to deliver products to our customers and to receive raw materials from our suppliers in a timely manner. These general strikes or work stoppages, in Israel or in other countries where we, our subsidiaries, suppliers and distributors operate, may prevent us from shipping raw materials and equipment required for our production and shipping our products by sea or otherwise to our customers, which could have a materially adverse effect on our results of operations. Specifically, our Israeli operations are highly dependent on the free exchanges of goods (whether raw material into Israel or finished product export), a trade that is made possible through a limited number of seaports in Israel. Current pressures experienced by Israeli ports, planned governmental reforms and dock workers unions responses could lead to strikes or other disruptions in the ports operations could affect our ability to operate out Israeli facilities or our export our product, which could have a materially adverse effect on our results of operations.

Since none of our employees work under any collective bargaining agreements, extension orders issued by the IMEI apply to us and affect matters such as cost of living adjustments to salaries, length of working hours and work week, recuperation pay, travel expenses, and pension rights. Any labor disputes over such matters could result in a work stoppage or strikes by employees that could delay or interrupt our output of products. Any strike, work stoppages or interruption in manufacturing could result in a failure to meet contractual obligations or in delays, including in our ability to manufacture and deliver products to our customers in a timely manner, and could have a materially adverse effect on our relationships with our distributors and on our financial results.

If a union of our employees is formed in the future, we may enter into a collective bargaining agreement with our employees, which may increase our costs and limit our managerial freedom, and if we are unable to reach a collective bargaining agreement, we may become subject to strikes and work stoppages, all of which may materially and adversely affect our business.

The tax benefits that are available to us require us to continue to meet various conditions and may be terminated or reduced in the future, which could increase our costs and taxes.

Our Israeli facilities have been granted "Preferred Enterprise" status by the Israeli Authority for Investment and Development of the Industry and Economy ("**Investment Center**"), which provides us with investment grants (in respect of certain Approved Enterprise programs) and makes us eligible for tax benefits under the Investment Law.

In order to remain eligible for the tax benefits of a "Preferred Enterprise" we must continue to meet certain conditions stipulated in the Investment Law and its regulations, as amended, and in certificates of approval issued by the Investment Center (in respect of Approved Enterprise programs), which may include, among other things, selling more than 25% of our products to markets of over 14 million residents in 2012 (such export criteria will further be increased in the future by 1.4% per annum) in a specific tax year, making specified investments in fixed assets and equipment, financing a percentage of those investments with our capital contributions, filing certain reports with the Investment Center, complying with provisions regarding intellectual property and the criteria set forth in the specific certificate of approval issued by the Investment Center or the ITA. If we do not meet these requirements, the tax benefits could be canceled and we could be required to refund any tax benefits and investment grants that we received in the past adjusted to the Israeli consumer price index and interest, or other monetary penalties. Further, in the future, these tax benefits may be reduced or discontinued. If these tax benefits are cancelled, our Israeli taxable income would be subject to regular Israeli corporate tax rates. The standard corporate tax rate for Israeli companies has been 23% since 2018.

Effective as of January 1, 2011, the Investment Law was amended ("**Amendment No. 68**" or the "**2011 Amendment**"). Under Amendment No. 68, the criteria for receiving tax benefits were revised. In the future, we may not be eligible to receive additional tax benefits under this law. The termination or reduction of these tax benefits would increase our tax liability, which would reduce our profits. Additionally, if we increase our activities outside of Israel through acquisitions, for example, our expanded activities might not be eligible to be included in future Israeli tax benefit programs. We may lose all our tax benefits in Israel in the event that our manufacturing operations outside of Israel exceed certain production levels (currently set at 50% of the overall production and subject to future changes by the ITA). We do not foresee such circumstances as probable in the coming years. From 2017 onward, our current Preferred, the tax rate for the portion of our income related to the Bar-Lev manufacturing facility was reduced to 7.5% and Sdot-Yam tax rate 16%. During 2023 the company launched a restructuring plan, closing Sdot-Yam manufacturing facility, resulting future tax benefits to be received only from income relates to the Bar-Lev manufacturing facility.

Historically, some portions of income were tax exempt, but that is no longer the case. In the event of a distribution of a dividend from the tax-exempt income described above, we will be subject to tax at the corporate tax rate applicable to our Approved Enterprise's and Beneficiary Enterprise's income on the amount distributed (grossed-up to reflect the pre-tax income that it would have had to earn in order to distribute the dividend) in accordance with the effective corporate tax rate that would have been applied had we not relied on the exemption. In addition to the reduced tax rate, a distribution of income attributed to an "Approved Enterprise" and a "Beneficiary Enterprise" will be subject to 15% withholding tax (or a reduced rate under an applicable double tax treaty, subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate). As for a "Preferred Enterprise," dividends are generally subject to 20% withholding tax from 2014 (or a reduced rate under an applicable double tax treaty, subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate). However, because we announced our election to apply the provisions of Amendment No. 68 prior to June 30, 2015, we will be entitled to distribute exempt income generated by any Approved/Beneficiary Enterprise to our Israeli corporate shareholders tax free (See "ITEM 10.E: Additional Information—Taxation—Israeli tax considerations and government programs—Law for the Encouragement of Capital Investments, 1959").

The amendment to the Investment Law stipulated those investments in subsidiaries, including in the form of acquisitions of subsidiaries from an unrelated party, may also be considered as a deemed dividend distribution event, increasing the risk of triggering a deemed dividend distribution event and potential tax exposure. The ITA's interpretation is that this provision applies retroactively to investments and acquisitions made prior to the amendment.

It may be difficult to enforce a U.S. judgment against us, our officers and directors in Israel or the United States, or to assert U.S. securities laws claims in Israel or serve process on our officers and directors.

We are incorporated in Israel. Other than one director, none of our directors, or our independent registered public accounting firm, is a resident of the United States. None of our executive officers is resident in the United States. The majority of our assets and the assets of these persons are located outside the United States. Therefore, it may be difficult for an investor, or any other person or entity, to enforce a U.S. court judgment based upon the civil liability provisions of the U.S. federal securities laws against us or any of these persons in a U.S. or Israeli court, or to effect service of process upon these persons in the United States. Additionally, it may be difficult for an investor, or any other person or entity, to assert U.S. securities law claims in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on a violation of U.S. securities laws on the grounds that Israel is not the most appropriate forum in which to bring such a claim. Even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not U.S. law is applicable to the claim. If U.S. law is found to be applicable, the content of applicable U.S. law must be proved as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by Israeli law. There is little binding case law in Israel addressing the matters described above.

Our articles of association provide that unless we consent otherwise, the competent courts of Tel Aviv, Israel shall be the sole and exclusive forum for substantially all disputes between us and our shareholders under the Companies Law and the Israeli Securities Law, which could limit our shareholders' ability to bring claims and proceedings against, as well as obtain a favorable judicial forum for disputes with, us and our directors, officers and other employees.

Unless we consent in writing to the selection of an alternative forum, the competent courts of Tel Aviv, Israel shall be the exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of fiduciary duty owed by any of our directors, officers or other employees to us or our shareholders, or (iii) any action asserting a claim arising pursuant to any provision of the Companies Law or the Israeli Securities Law. This exclusive forum provision is intended to apply to claims arising under Israeli Law and would not apply to claims brought pursuant to the Securities Act or the Exchange Act or any other claim for which U.S. federal courts would have exclusive jurisdiction. Such exclusive forum provision in our articles of association will not relieve us of our duties to comply with U.S. federal securities laws and the rules and regulations thereunder, and shareholders will not be deemed to have waived our compliance with these laws, rules, and regulations. This exclusive forum provision may limit a shareholder's ability to bring a claim in a judicial forum of its choosing for disputes with us or our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers and other employees.

Your rights and responsibilities as our shareholder will be governed by Israeli law which may differ in some respects from the rights and responsibilities of shareholders of United States corporations.

Since we are incorporated under Israeli law, the rights and responsibilities of our shareholders are governed by our articles of association and Israeli law. These rights and responsibilities differ in some respects from the rights and responsibilities of shareholders in U.S.-based corporations. In particular, a shareholder of an Israeli company has a duty to act in good faith and in a customary manner in exercising its rights and performing its obligations towards the company and other shareholders and to refrain from abusing its power in the company, including, among other things, in voting at the general meeting of shareholders on certain matters, such as an amendment to the company's articles of association, an increase of the company's authorized share capital, a merger of the company and approval of related party transactions that require shareholder approval. A shareholder also has a general duty to refrain from discriminating against other shareholders. In addition, a controlling shareholder or a shareholder who knows that it possesses the power to determine the outcome of a shareholders' vote or to appoint or prevent the appointment of an office holder in the company or has another power with respect to the company, has a duty to act in fairness towards the company. However, Israeli law does not define the substance of this duty of fairness. See "ITEM 6.C: Directors, Senior Management and Employees—Board Practices—Board Practices—Fiduciary duties and approval of specified related party transactions under Israeli law—Duties of shareholders." Additionally, the parameters and implications of the provisions that govern shareholder behavior have not been clearly determined by the Israeli courts. These provisions may be interpreted to impose additional obligations and liabilities on our shareholders that are not typically imposed on shareholders of United States corporations.

Provisions of Israeli law and our articles of association may delay, prevent or make undesirable a merger transaction, or an acquisition of all or a significant portion of our shares.

Provisions of Israeli law, including the Companies Law and our articles of association could have the effect of delaying or preventing a change in control and may make it more difficult for a third-party to acquire us or our shareholders to elect different individuals to our board of directors, even if doing so would be considered to be beneficial by some of our shareholders, and may limit the price that investors may be willing to pay in the future for our ordinary shares. Among other things:

- the Companies Law regulates mergers and requires that a tender offer be affected when more than a specified percentage of shares in a company are purchased;

- the Companies Law requires special approvals for certain transactions involving directors, officers or certain significant shareholders and regulates other matters that may be relevant to these types of transactions;

- the Companies Law does not provide for shareholder action by written consent for public companies, thereby requiring all shareholder actions to be taken at a general meeting of shareholders;

- an amendment to our articles of association will generally require, in addition to the approval of our board of directors, a vote of the holders of a majority of our outstanding ordinary shares entitled to vote and present and voting on the matter at a general meeting of shareholders (referred to as simple majority), and the amendment of a limited number of provisions, such as increases to the size of the board of directors and the ability for the board of directors to effect vacancy appointments, requires a vote of the holders of at least 65% of the total voting power of our shareholders; and

- our articles of association provide that director vacancies may be filled by our board of directors.

Israeli tax considerations may also make potential transactions undesirable to us or to some of our shareholders whose country of residence does not have a tax treaty with Israel granting tax relief to such shareholders from Israeli tax. With respect to mergers, Israeli tax law allows for tax deferral in certain circumstances but makes the deferral contingent on the fulfillment of numerous conditions, including a holding period of up to two years from the date of the transaction during which certain sales and dispositions of shares of the participating companies are restricted. Moreover, with respect to certain share swap transactions, the tax deferral is limited in time, and when such time expires, the tax becomes payable even if no disposition of the shares has occurred. See “ITEM 10.B: Additional Information—Memorandum and Articles of Association—Acquisitions under Israeli law.”

Under Israeli law, our two external directors have terms of office of three years and may serve up to three terms. Our current external directors have been elected by our shareholders to serve for a second term of a three-year term commencing December 1, 2023.

These provisions of Israeli law could have the effect of delaying or preventing a change in control and may make it more difficult for a third party to acquire us or our shareholders to elect different individuals to our board of directors, even if doing so would be beneficial to our shareholders, and may limit the price that investors may be willing to pay in the future for our ordinary shares.

If we are considered to have sizable market power under Israeli law, we could be subject to certain restrictions that may limit our ability to freely conduct our business to which our competitors may not be subject.

Under the Israeli Economic Competition law (formerly, the Restrictive Trade Practices Law, 1988) (the “**Israeli Competition Law**”), a company that holds significant market power in a relevant market, is subject to certain business practices, designed against its abuse of its market powers. If we are indeed deemed to have major market share, a sizable market power and the relevant regulator believes we have abused our position in the market by, it could serve as *prima facie* evidence in private actions or class actions against us alleging that we have engaged in anti-competitive behavior. Furthermore, the Commissioner may order us to take or refrain from taking certain actions, which could limit our ability to freely conduct our business.

Sales in Israel accounted for approximately 4% of our revenues in 2023. We have a significant market position in certain jurisdictions outside of Israel and cannot assure you that we are not, or will not become, subject to the laws relating to the use of dominant product positions in particular countries, which laws could limit our business practices and our ability to consummate acquisitions.

If we fail to comply with Israeli law restrictions concerning employment of Jewish employees on Saturdays and Jewish holidays, we and our office holders may be exposed to administrative and criminal liabilities and our operational and financial results may be materially and adversely impacted.

We are subject to the Israeli Hours of Work and Rest Law, 1951 ("**Rest Law**"), which imposes certain restriction on the employment terms and conditions of our employees. Among others, the Rest Law prohibits the employment of Jewish employees on Saturdays and Jewish holidays, unless a permit is obtained from the IMEI. Employment of Jewish employees on such days without a permit constitutes a violation of the Rest Law. We received a permit from the IMEI to employ Jewish employees on Saturdays and Jewish holidays in connection with most of the production machinery in our Sdot-Yam facility, effective until December 30, 2024. There is no assurance that we will be able to maintain such permit while we do not actually employ Jewish employees on Saturdays, or, if cancelled by the IMEI, that we will be able to obtain such permit in the future. If we fail to obtain such permit in the future or if we are deemed to be in any violation of the Rest Law, we may be required to halt operations of our manufacturing facilities on Saturdays and Jewish holidays, we and our officers may be exposed to administrative and criminal liabilities, including fines, and our ability to utilize our Sdot-Yam facility and therefore our operational and financial results could be materially and adversely impacted.

General Risk Factors

If we do not manage our inventory effectively, our results of operations could be materially adversely affected.

We must manage our inventory effectively in order to meet the demand for our products. If our forecasts for any Specific Stock Keeping Unit (**"SKU"**) exceed actual demand, we could experience excess inventory, resulting in increased logistic costs. If we ultimately determine that we have excess inventory, we may have to reduce our prices and write-down inventory which could have an adverse effect on our business, financial condition and results of operations. If we have insufficient inventory levels, we may not be able to respond to the market demand for our products, resulting in reduced sales and market share.

We depend on our senior management team and other skilled and experienced personnel to operate our business effectively, and the loss of any of these individuals could materially and adversely affect our business and our future financial condition or results of operations.

We are dependent on the skills and experience of our senior management team and other skilled and experienced personnel. These individuals possess strategic, managerial, sales, marketing, operational, manufacturing, logistical, financial and administrative skills that are important to the operation of our business. There have been, and from time to time, there may continue to be, changes in our management team resulting from the hiring or departure of executives and key employees, or the transition of executives within our business. For example, Mr. Shiran replaced Yuval Dagim as our Chief Executive Officer on March 16, 2023, and six of our current 14 members of the management team have joined since such date. Such changes and transitions in our executive management team may divert resources and focus away from the operation of our business. Furthermore, in recent years we experienced a trend of relatively high turnover in some sites and roles.

Retention of institutional knowledge and the ability to attract, motivate and retain personnel, as well as the ability to successfully onboard our senior management as a team comprised of several new members, are crucial for implementing our business strategy, without which our business and our future financial condition or results of operations could suffer materially and adversely. We do not carry key man insurance with respect to any of our executive officers or other employees. We cannot assure you that we will be able to retain all our existing senior management personnel and key personnel or to attract additional qualified personnel when needed.

The market for qualified personnel is competitive in the geographies in which we operate. Moreover, the COVID-19 pandemic has also caused a shift to virtual or hybrid recruiting and employment, which has increased the difficulty in timely attracting new employees, integrating, and introducing them into our corporate culture and retaining them for the longer term. Companies with whom we compete have expended and will likely continue to expend more resources than we do on employee recruitment and are often better able to offer more favorable compensation and incentive packages than we can. We seek to retain and motivate existing personnel through our compensation practices, company culture, and career development opportunities. If we are unable to attract and retain qualified personnel when and where they are needed, our ability to operate and grow our business could be impaired. Moreover, if we are not able to properly balance investment in personnel with sales, our profitability may be adversely affected.

In addition, factors beyond our control may damage or disrupt the ability of our senior management or key employees to perform their critical roles in the Company.

ITEM 4: Information on the Company

A. History and Development of the Company

Our History

Caesarstone Ltd. was founded in 1987 and incorporated in 1989 in the State of Israel. We began as a leading manufacturer of high-end quartz based engineered surfaces used primarily as countertops in residential and commercial buildings, and we are now a global multi material, multi-application designer, producer, and reseller of surfaces. We design, develop produce and source engineered stone, natural stone and porcelain products that offer aesthetic appeal and functionality through a distinct variety of colors, styles, textures, and finishes used primarily as countertops surfaces, vanities, and other interior and exterior spaces.

Our products are currently sold in over 60 countries through a combination of direct sales in certain markets performed by our subsidiaries and indirectly through a network of independent distributors in other markets. We acquired the businesses of our former Australian, Canadian, U.S. and Singaporean distributors, and established such businesses within our own subsidiaries in such countries. In March 2012, we listed our shares on the Nasdaq Global Select Market. In 2017, we started selling our products in the U.K. directly through our U.K. subsidiary, Caesarstone (UK) Ltd. In October 2020, we acquired a majority stake in Lioli, an India-based producer of porcelain slabs, which also sells its porcelain products in India and other markets. In December 2020, we acquired Omicron, a premier stone supplier which operated several locations across Florida, Ohio, Michigan, and Louisiana. We now generate a substantial portion of our revenues in the United States, Australia, and Canada from direct distribution of our products. In July 2022, we also acquired our distributor in Sweden and established Caesarstone Scandinavia.

During 2023, our manufacturing network has been undergoing restructuring, with the focus of optimizing our global production footprint. As part of this strategic plan, we shifted our focus from production activities and discontinued production operations in our Sdot Yam, Israel, and Richmond Hill, GA, USA, production facilities.

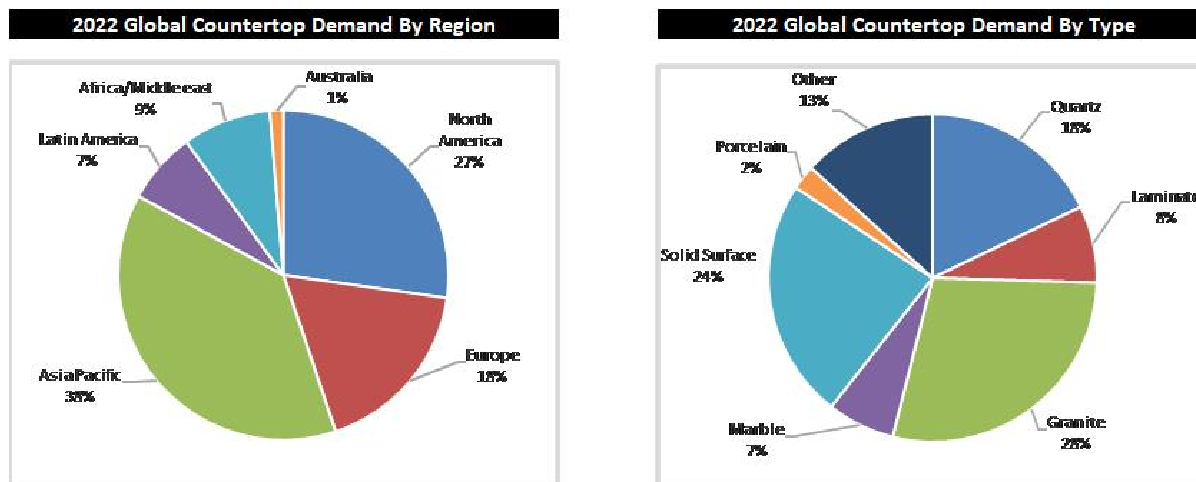
We are a company limited by shares organized under the laws of the State of Israel. We are registered with the Israeli Registrar of Companies in Jerusalem. Our registration number is 51-143950-7. Our principal executive offices are located at Kibbutz Sdot-Yam, MP Menashe, 3780400, Israel, and our telephone number is +972 (4) 610-9368. We have irrevocably appointed Caesarstone USA as our agent for service of process in any action against us in any United States federal or state court. The address of Caesarstone USA is 1401 W. Morehead Street, Suite 100, Charlotte, NC, 28208. The SEC maintains an internet site at http:/www.sec.gov that contains reports and other information regarding issues that file electronically with the SEC. Our securities filings, including this annual report and the exhibits thereto, are available on the SEC's website. For more information about us, our website is www.caesarstone.com. The information contained in, or connected with, our SEC filings on the SEC internet site and our website shall not be deemed to be incorporated by reference in this annual report.

Principal Capital Expenditures

Our capital expenditures for fiscal years 2023, 2022 and 2021 amounted to $11.2 million, $17.8 million, and $31.5 million, respectively. The majority of our investment activities have historically been related to the purchase of manufacturing equipment and components for our production lines. For additional information on our capital expenditures, see "ITEM 5.B: Liquidity and Capital Resources–Capital expenditures."

B. Business Overview

We are a multi material designer, producer and reseller of countertops used in residential and commercial buildings globally. Based on the Freedonia Report The global countertop industry generated approximately $160.6 billion in sales to end consumers in 2022 based on average installed price, which includes fabrication, installation and other service-related costs, as per the following charts:



The majority of our sales are at the wholesale level to fabricators and distributors and exclude fabrication, installation and other service-related costs.

The engineered quartz countertop is a growing category in the countertop market and continues to take market share from other materials, such as granite, manufactured solid surfaces and laminate. Between 1999 and 2022, global engineered quartz sales to end-consumers grew at a compound annual growth rate of 16.2% compared to a 6.0% compound annual growth rate in total global countertop sales to end-consumers during the same period. In 2022, we successfully launched the marketing and sales of porcelain countertops under the Caesarstone brand following the Lioli Acquisition. Porcelain represents one of the fastest growing categories in the global countertop market and between 2016 and 2022, the porcelain sales to end-consumers grew at a compound annual growth rate of 36%.

In recent years, quartz penetration rate, by volume, other than in Israel, increased in our key markets, as detailed in the following chart:

Quartz penetration in our key markets

	For the year ended December 31,				
	2022	2020	2016	2014	2012
Region					
United States	21%	20%	14%	8%	6%
Australia (not including New Zealand)	48%	47%	45%	39%	35%
Canada	27%	28%	24%	18%	12%
Israel (*)	53%	67%	87%	86%	85%

(*) In Israel, quartz lost market share mainly to porcelain, which increased its market share from a de-minimis rate in 2016 to over 34% in 2022.

Our products consist primarily of engineered stone fabrication and installation related services, natural stone and porcelain slabs that are currently sold in over 60 countries through a combination of direct sales in certain markets and indirectly through a network of independent distributors in other markets. Our products are primarily used as indoor & outdoor kitchen countertops in the renovation and remodeling and residential construction end markets. Other applications for our products include vanity tops, back splashes, furniture, and other interior and exterior surfaces that are used in a variety of residential and non-residential applications. High quality engineered stone offers durability, non-porous characteristics, superior scratch, stains and heat resistance levels, making it durable and ideal for kitchen and other applications relative to competing products such as granite, manufactured solid surfaces and laminate. Porcelain is characterized by its hardness and its stain resistance, as well as extreme heat and UV resistance. Through our design and manufacturing processes we can offer a wide variety of compositions, colors, styles, designs, and textures.

From 2010 to 2023, our revenue grew at a compound annual growth rate of 8.4%. From 2022 to 2023, our revenue decreased at an annual rate of 18.2%. In 2023, we generated revenue of $565.2 million, net loss of $107.7 million attributable to controlling interest, which included a one-time non-cash impairment charge of $47.9 million, an adjusted EBITDA loss of $9.4 million and adjusted net loss attributable to controlling interest of $46.4 million. Adjusted EBITDA and adjusted net income attributable to controlling interest are non-GAAP financial measures. See "ITEM 4.B: Information on the Company—Business Overview—Non-GAAP Financial Measures" below for a description of how we define adjusted EBITDA and adjusted net income attributable to controlling interest and reconciliations of net income to adjusted EBITDA and net income attributable to controlling interest to adjusted net income attributable to controlling interest.

Not as projected by the Freedonia report, our primary markets, and potentially engineered stone penetration have slowed down during 2023, which we believe is attributable to macroeconomics with higher global interest rates and inflation, as well as uncertainties relating to the changes in the Australian market that may further affect the realization of such projections during 2024.

Our Products

Our products are generally marketed under the Caesarstone brand. Currently, our porcelain products manufactured in India are marketed either under the Caesarstone brand, mainly for counter-top applications in selected markets, and under the existing Lioli brand mainly for flooring and cladding applications. Most of our engineered stone and Porcelain products are installed as countertops in residential kitchens. Other applications of our products include vanity tops, back splashes, and exterior surfaces for outdoor kitchens. In addition, we sell natural stone, sinks and various ancillary fabrication tools and materials. Our standard size engineered stone slabs measure 120 inches long by 56 1/2 inches wide, with a thickness option of 1/2, 3/4, or 1 1/4 inches. Our jumbo slabs, constituting the majority of our products, measure 131 1/2 inches long by 64 1/2 inches wide, with a thickness of 3/4 or 1 1/4 inches. On average engineered stone surfaces are comprised on average of 85% minerals blended with polyester, and pigments. Our engineered stone products' manufacturing processes and composition gives them superior strength and resistance levels to heat impact, scratches, cracks and stains. Pigments act as a dyeing agent to vary our products' colors and patterns. Our standard size porcelain countertop slabs measure 126 inches long by 63 inches wide, 94.5 inches long by 47 inches wide and 47 inches by 47 inches mm, with a thickness of 1/2 inches, 1/3 inches and 1/4 inches, in a range of matt finishes. Porcelain surfaces are typically comprised of clay minerals, natural minerals, and additives, and offer non-porous characteristics as well as scratch and heat resistance.

We design our products with a wide range of colors, finishes, textures, thicknesses, and physical properties, which help us meet the different functional and aesthetic demands of end-consumers. Our designs range from fine-grained patterns to coarse-grained color blends with a variegated visual texture. Through offering new designs, we capitalize on Caesarstone's brand name and foster our position as a leading innovator in the counter-top space.

Our product offerings consist of a few collections (Classico, Supernatural, Metropolitan, Outdoor and recently Porcelain), each of which is designed to have a distinct aesthetic appeal. We use a multi-tiered pricing model across our products and within each product collection ranging from lower price points to higher price points. Each product collection is designed, branded, and marketed with the goal of reinforcing our products' premium quality.

We introduced our original product collection, Classico, in 1987. Launched in 2012, our Supernatural collection, which is marketed as specialty high-end, offers designs inspired by natural stone and which are manufactured using proprietary technology. In 2018, we launched our new Metropolitan collection, inspired by the rough and unpolished textures found in industrial architecture. In 2020, we introduced our Outdoor collection, an innovative product category, which comprises stain resistant surfaces, made of a highly durable material, proven to withstand UV-rays and the most extreme environmental conditions over a long term, intended for use in outdoor kitchens spaces. Following the Lioli Acquisition we began offering porcelain products as well for countertops as well as flooring and cladding applications.

We regularly introduce new colors and designs to our product collections based on consumer trends. We offer over 70 different colors of engineered stone products, with five textures and three thicknesses generally available for each collection.

In addition, following the Omicron Acquisition, we now offer to our customers in the United States resale of natural stone, as well as various ancillaries and fabrication and installation accessories.

A key focus of our product development is a commitment to substantiating our claim of our products' superior quality, strength, and durability. Our products undergo ongoing tests for durability and flexural strength internally by our internal laboratory operations group and by external accreditation laboratories and organizations. Products in our portfolio are accredited by organizations overseeing safety, Food contact and environment performance, such as the NSF International and GREENGUARD Indoor Air Quality. Generally, our products support green building projects and allow contractors to receive Leadership in Energy and Design (**"LEED"**) points for projects incorporating our products.

Distribution

Our four largest markets based on sales are currently the United States, Australia (including New Zealand), Canada and Israel. In 2023, sales of our products in these markets accounted for 48.1%, 18.8%, 13.4% and 4.2% of our revenues, respectively. Total sales in these markets accounted for 84.2% of our revenues in 2023. For a breakdown of revenues by geographic market for the last three fiscal years, see "ITEM 5.A: Operating Results and Financial Review and Prospects—Operating Results."

Direct Markets

We currently have direct sales channels in the United States, Australia, Canada, Israel, the United Kingdom (**"U.K."**), Sweden (Scandinavia), India, and Singapore. Our direct sales channels allow us to maintain greater control over the entire sales channel within a market. As a result, we gain greater insight into market trends, receive feedback more readily from end-consumers, fabricators, architects and designers regarding new developments in tastes and preferences, and have greater control over inventory management. Our subsidiaries' warehouses in each of these countries maintain inventories of our products and are connected to each subsidiary's sales department. We supply our products primarily to wholesalers, resellers and fabricators, who in turn resell them to contractors, developers, builders and consumers, who are generally advised by architects and designers. In certain market channels in the U.S., Canada Israel and Australia, we also provide, together with our products, fabrication and installation services, which we source from third party fabricators. We believe that our supply of a fabricated and installed Caesarstone countertop is a competitive advantage in such channels, which enables us to better control our products' prices as well as to promote a full solution to our customers, while in some of these cases our products are sold under different brands.

During the second half of 2022, we made changes to our distribution strategic in the Israeli market, and began selling directly to major fabricators, in addition to selling through a handful of local distributers Although we still sell our products to distributors in this market, we consider this a direct market due to the warranty we provide to end-consumers, as well as our fabricator technical and health and safety instruction programs and our local sales and marketing activities. In the United States, Australia, Canada, the United Kingdom, Sweden (Scandinavia) and Singapore we have established direct distribution channels with distribution locations in major urban centers complemented by arrangements with various third parties, sub-distributors or stone suppliers in certain areas of the United States.

Indirect Markets

We distribute our products in other territories in which we do not have a direct sales channel through third-party distributors, who generally distribute our products to fabricators on an exclusive or non-exclusive basis in a specific country or region. Fabricators sell our products to contractors, developers, builders and consumers. In some cases, our distributors operate their own fabrication facilities. Additionally, our distributors may sell to sub-distributors located within the territory who in turn sell to fabricators.

In most cases, we engage one or more distributors to serve a country or territory. Today, we sell our products in over 50 countries through third-party distributors, and to over 60 countries in total. Sales to third-party distributors in such indirect markets accounted for approximately 11% of our revenues in 2023. This strategy often allows us to accelerate our penetration into multiple new markets. Our distributors typically have prior stone surface experience and close relationships with fabricators, builders and contractors within their respective territory.

We work closely with our distributors to assist them in preparing and executing a marketing strategy and comprehensive business plan. Ultimately, however, our distributors are responsible for the sales and marketing of our products and providing technical support to their customers within their respective territories. To assist some of our distributors in the promotion of our brand in these markets, we provide marketing materials and in certain cases, monetary participation in marketing activities. Our distributors devote significant effort and resources to generating and maintaining demand for our products along all levels of the product supply chain in their territory. To this end, distributors use our marketing products and strategies to develop relationships with local builders, contractors, developers, kitchen and bath retailers, architects and designers. Certain distributors, as well as sub-distributors, do not engage in brand promotion activities and their activities are limited to sales promotion, warehousing and distributing to fabricators or other customers.

We do not control the pricing terms of our distributors or sub-distributors' sales to customers, nor do we control their purchasing and inventory policy. As a result, prices for our products may vary and their inventory policies may affect their purchases.

Sales and Marketing

Sales

We manufacture or source our products based upon our rolling projections of the demand for our products.

From 2019 and through 2023, we operated under a regional structure which consists of North America, APAC, EMEA and Israel. Commencing 2024 each of our subsidiaries is responsible for its direct revenues, with the responsibility of the majority of third-party distribution partners handled by our Rest of World team.

We believe our products still have significant growth opportunities in the United States, Canada and Europe. For information on sales trends in the markets in which we operate, see “ITEM 5: Operating and Financial Review and Prospects—Components of statement of income”. In 2016, we established a direct sales channel in the United Kingdom and starting in January 2017 we have been selling and distributing our products in the U.K. directly through our U.K. subsidiary. In December 2020, we acquired Omicron, a premier stone supplier servicing the Florida, Ohio, Michigan, and Louisiana markets in the U.S. In July 2022, we acquired a leading distributor in Sweden, establishing first direct Go-To-Market presence in E.U. under Caesarstone Scandinavia AB. We intend to continue to invest resources to further strengthen and increase our penetration in our existing markets. We are also exploring alternative sales channels and methodologies to further enhance our presence in each market.

Marketing

We position our engineered stone, porcelain and natural stone surfaces as premium branded products in terms of their designs, quality and pricing. Through our marketing, we seek to convey our products’ ability to elevate the overall design and quality of an entire kitchen or other setting. Our marketing strategy is to deliver this message every time our end-consumers, customers, fabricators, architects and designers meet our brand. We also aim to communicate our position as a design-oriented global leader in engineered surfaces innovation and technology.

The goal of our marketing activities is to drive marketing and sales efforts across the regions, while creating demand for our products from end-consumers, kitchen and bath retailers, fabricators, contractors, architects and designers, which we refer to as a “push-and-pull demand strategy.” We combine both pushing our brand and products through all levels of the product supply chain while generating demand from end-consumers as a complementary strategy.

We implement a multi-channel marketing strategy in each of our territories and market not only to our direct customers, but to the entire product supply chain, including fabricators, developers, contractors, kitchen retailers, builders, architects and designers. Such marketing channels include, among others: advertisements in home interior magazines and websites, the placement of our display stands and sample books in kitchen retails stores and our company’s website and social media presence. We share professional knowledge with fabricators about our products and their capabilities, installation methods and safety requirements through manuals, seminars and webinars. In addition, our “Master of Stone” program operates as an online training platform, with content aimed at educating fabricators on the topics of Health & Safety, professional know-how and added value content for fabrication plant managers and making safety and professional working guidelines accessible to our fabricators worldwide.

Our marketing materials are developed by our global marketing department in Israel and are used globally, in addition to local marketing initiatives in the regions. In 2023, we spent $15.7 million on direct marketing and promotional activities.

Our digital platforms’ websites are a key part of our marketing strategy enabling us to create data-driven personal relationships, on and off site, in order to increase engagement and conversion to sale. Our websites enable our business partners, customers and end-consumers to view currently available designs, photo galleries of installations of our products in a wide range of settings, instructions with respect to the correct usage of our products and offer an innovative cutting-edge experience with rich content and interactive tools to empower and guide consumers at any stage of their renovation journey. We also conduct marketing activity in the social media arena mainly to increase our brand awareness among end-consumers, architects and designers.

We also seek to increase awareness of our brand and products through a range of other methods, such as trade shows, home design shows, design competitions, media campaigns and through our products’ use in high profile projects and iconic buildings. In recent years, we have collaborated with renowned designers, who created exhibitions and particles from our products. Our design initiatives attracted press coverage around the world.

Research and Development

Our research and development ("**R&D**") department is primarily located in Israel. As of December 31, 2023, our corporate R&D department was comprised of 19 employees, all of whom have extensive experience in engineered stone and porcelain surface manufacturing, polymer science, engineering, product design and engineered surfaces applications. In 2023, R&D costs accounted for approximately 0.9% of our revenues.

The strategic mission of our R&D team is to develop and maintain innovative and leading technologies and top-quality designs, develop new and innovative products according to our marketing department's roadmap, increase the cost-effectiveness of our manufacturing processes and raw materials, and generate and protect company intellectual property in order to enhance our position in the engineered stone surface industry. We also study and evaluate consumer trends by attending industry exhibitions and hosting international design workshops with market and design specialists from various regions.

Customer Service

We believe that our ability to provide outstanding customer service is a strong competitive differentiator. Our relationships with our customers are established and maintained through the coordinated efforts of our sales, marketing, production and customer service personnel. In our direct markets, the warranty period varies. We provide end-consumers with various warranties depending on the relevant markets ranging from a ten-year limited warranty to limited lifetime warranties in selected markets such as the United States, Canada and Israel. In our indirect markets, end-consumers, warranty issues on our products are addressed by our local distributor. We provide all our distributors with a limited direct manufacturing defect warranty and our distributors are responsible for providing warranty coverage to end-customers. The warranties provided by our distributors vary in term. In our direct markets, following an end-consumer call, our technicians are sent to the product site within a short time. We provide readily accessible resources and tools regarding the fabrication, installation, care and maintenance of our products. We believe our comprehensive global customer service capabilities and the sharing of our service-related know-how differentiate our company from our competitors.

Raw Materials and Service Provider Relationships

Minerals, clay, polyester and pigment are the primary raw materials used in the production of our surfaces. We acquire raw materials from third-party suppliers. Suppliers ship raw materials for our engineered stone products and porcelain to our manufacturing facilities in Israel and India primarily by sea. Our raw materials are generally inspected at the suppliers' facilities and upon arrival at our manufacturing facilities in Israel and the U.S. The cost of our raw materials consists of the purchase prices of such materials and costs related to the logistics of delivering the materials to our manufacturing facilities. Our raw materials costs are also impacted by changes in foreign currency exchange rates.

Minerals are our main raw material component used in our engineered surface products. Raw minerals must be processed into finer grades of sand and powder before we can use them in our manufacturing process. We purchase minerals from our suppliers after some process. We acquire minerals from suppliers primarily in Turkey, Belgium, India, Portugal, the U.S. and Israel. In 2023, approximately 69% of our minerals, including mainly quartzite, which is used across all of our engineered stone products, was imported from several suppliers in Turkey. Approximately 63% of the imported minerals from Turkey (or 44% of our total direct mineral consumption) were acquired from Mikroman Madencilik San ve TIC.LTD.STI ("**Mikroman**") and approximately 32% of the imported quartz from Turkey (or 22% of our total mineral consumption) were acquired from Ekom Eczacibasi Dis Ticaret A.Ş. ("**Ekom**"). In light of market volatility and our changing raw material needs, while we have long lasting mutually beneficial relationships with our suppliers, we do not currently have an annual framework agreement in place and are purchasing materials from them based on spot purchase orders.

Similar to our arrangements with Mikroman and Ekom described above, we typically transact business with other quartz suppliers and execute purchase orders from them from time to time.

In most cases, we acquire polyester from several suppliers, on an annual framework basis or purchase order basis based on our projected needs for the subsequent one to three months. Typically, suppliers are unwilling to agree to preset prices for periods longer than a quarter and suppliers' prices may vary during a quarter as well.

Pigments for our engineered stone production in Israel are purchased from Israel and suppliers abroad. Pigments for our U.S. engineered stone production are primarily purchased from U.S. vendors.

The principal raw materials for our porcelain products are minerals (such as clay and feldspar) and chemical additives. We typically transact business with our suppliers of raw materials for porcelain products on an annual framework basis, under which we execute purchase orders from time to time.

Our strategy is to maintain, whenever practicable, multiple sources for the purchase of our raw materials to achieve competitive pricing, provide flexibility and protect against supply disruption.

See "ITEM 3.D. Key Information—Risk Factors—We may encounter significant delays in manufacturing if we are required to change the suppliers for the raw materials used in the production of our products." For our cost of raw materials in 2023 and prior years, see "ITEM 5.A: Operating Results and Financial Review and Prospects—Operating Results—Cost of revenues and gross profit margin."

Manufacturing and Facilities

Following the closure of our Sdot-Yam and Richmond-Hill facilities during 2023, our products are now manufactured at our two manufacturing facilities located in Bar-Lev Industrial Park in northern Israel, and in Morbi, Gujarat in India and by our third party PBP partners. We completed our Bar-Lev manufacturing facility in 2005, which included our then third production line, and we established our fourth production line at this facility in 2007 and our fifth production line at this facility in 2013. As part of the Lioli Acquisition, in 2020 we acquired a porcelain slab manufacturing facility, which is comprised of one production line currently in operation.

Finished slabs are shipped from our facilities in Israel and India, or from our PBP, to our distribution centers worldwide, to third-party distributors or directly to customers worldwide. For further discussion of our facilities, see "ITEM 4.D: Information on the Company—Property, plants, and equipment."

The manufacturing process for our engineered products typically involves the blending of minerals (85% on average) with polyester and pigments. Using machinery acquired primarily from Breton, the leading supplier of engineered stone manufacturing equipment, together with our proprietary manufacturing enhancements, this mixture is compacted into slabs by a vacuum and vibration process. The slabs are then moved to a curing kiln where the cross-linking of the polyester is completed. Lastly, the slabs are gauged, calibrated and polished to enhance shine.

The manufacturing process for our porcelain products typically involves blending clay, natural minerals (such as feldspar) and chemical additives required for the shaping process. The multi-ingredient mixture is fed to a ball mill, together with water, to achieve fine grinding. The excess water is then removed, and the resulting powder is shaped into slabs. Slabs are first moved to dryers and then passed through a glaze line, where they are decorated with different applicators. Decorated slabs are passed through digital printing machines and then go into a curing kiln for the final firing process. Lastly, the slabs are gauged, calibrated and polished to enhance shine.

We maintain strict quality control and safety standards for our products and manufacturing processes both in our facilities as well as with our PBP. Our manufacturing facility in Israel holds ISO45001 safety certifications from The Standards Institution of Israel, while our facility in India, is in the process of obtaining the same certification from TUV).

In addition, since 2018 we have increased our outsourcing capabilities and currently purchase a portion of our product from our PBPs including natural stone, engineered stone, porcelain and ancillaries. We conduct quality control and quality assurance processes with respect to such products. In 2023, products produced by third parties accounted for approximately 22.4% of revenues, and we are aiming to increase purchases from PBPs in 2024. For more information, see ITEM 3.D: Key Information - Operational Risks.

Seasonality

For a discussion of seasonality, please refer to "ITEM 5.A: Operating and Financial Review and Prospects—Operating Results—Factors impacting our results of operations" and "ITEM 5.A: Operating and Financial Review and Prospects—Operating Results—Seasonality."

Competition

We believe that we compete principally based upon product quality, breadth of colors and designs offering and innovation, brand awareness and position, pricing and customer service. We believe that we differentiate ourselves from competitors on the basis of our premium brand, our signature product designs, our products and designs innovation, our ability to directly offer our products in major markets globally, our focus on the quality of our product offerings, our customer service-oriented culture, our high involvement in the product supply chain and our leading distribution partners.

The dominant surface materials used by end-consumers in each market vary. Our products compete with a number of other surface materials as well as similar materials offered by other producers and re-sellers. The manufacturers of these products consist of a number of regional as well as global competitors. Some of our competitors may have greater resources than we have and may adapt to changes in consumer preferences and demand more quickly, expand their materials offering, devote greater resources to design innovation and establishing brand recognition, manufacture more versatile slab sizes and implement processes to lower costs.

The engineered stone and porcelain surface market is highly fragmented and is also served by a number of regional and global competitors. We also face growing competition from low-cost manufacturers from Asia and Europe. Large multinational companies have also invested in their engineered stone and porcelain surface production capabilities. For more information, see "ITEM 3.D. Key Information—Risk Factors—We face intense competitive pressures from manufacturers of other surface materials, which could materially and adversely affect our results of operations and financial condition"

Information Technology Systems

We believe that an appropriate information technology infrastructure is important in order to support our daily operations and the growth of our business.

We implemented various IT systems to support our business and operations. Our Enterprise Resource Planning ("**ERP**") software enables us to manage our day-to-day business activities and provides us with accessible quality data that support our forecasting, planning and reporting. Accurate planning is important in order to support sales and optimize working capital and cost as our products can be built in a number of combinations of sizes, colors, textures and finishes. Given our global expansion, we implemented a global ERP based on an Oracle platform. Our MES systems manage work processes on the production floor in our facilities and Salesforce enhances our Customer Relationship Management ("**CRM**") infrastructure.

We are implementing digitalization across our organization to better streamline processes and support our business strategy. We are investing in digital transformation projects to enhance consumer engagement and customer experience. Our technological and digital investments will be geared towards operational enhancements in inventory management and production, along with transforming our go-to-market tools. We seek to update our IT infrastructure to enhance our ability to prevent and respond to cyber threats and conduct trainings for our employees in this respect. For further details, see "ITEM 3.D. Key Information—Risk Factors—Disruptions to or our failure to upgrade and adjust our information technology systems globally, may materially impair our operations, hinder our growth and materially and adversely affect our business and results of operations.

Intellectual Property

Our Caesarstone brand is central to our business strategy, and we believe that maintaining and enhancing the Caesarstone brand is critical to expanding our business.

We have obtained trademark registrations in certain jurisdictions that we consider material to the marketing of our products, including CAESARSTONE® and our Caesarstone logo. We have obtained trademark registrations for additional marks that we use to identify certain product collections, as well as other marks used for certain of our products. While we expect our current and future applications to mature into registrations, we cannot be certain that we will obtain such registrations. In many of our markets we also have trademarks, including registered and unregistered marks, on the colors and models of our products. We believe that our trademarks are important to our brand, success and competitive position. In order to mitigate the risk of infringement, we conduct an ongoing review process before applying for registration. However, we cannot be certain that third parties will not oppose our application or that the application will not be rejected in whole or in part. In the past, some of our trademark applications for certain classes of our products' applications have been rejected or opposed in certain markets and may be rejected for certain classes in the future, in all or parts of our markets, including without limitation, for flooring and wall cladding. We are currently subject to various proceedings regarding our Caesarstone trademark applications in various jurisdictions.

To protect our know-how and trade secrets, we customarily require our employees and managers to execute confidentiality agreements or otherwise agree to keep our proprietary information confidential. Typically, our employment contracts also include clauses requiring these employees to assign to us all inventions and intellectual property rights they develop in the course of their employment and agree not to disclose our confidential information. We limit access to our trade secrets and implement certain protections to allow our know-how and trade secret to remain confidential.

In addition to confidentiality agreements, we seek patent protection for some of our latest technologies. We have obtained patents for certain of our technologies and have pending patent applications that were filed in various jurisdictions, including the United States, Europe, Australia, Canada, China and Israel, which relate to our manufacturing technology and certain products. No patent application of ours is material to the overall conduct of our business. There can be no assurance that pending applications will be approved in a timely manner or at all, or that such patents will effectively protect our intellectual property. There can be no assurance that we will develop patentable intellectual property in the future, and we have chosen and may further choose not to pursue patents for innovations that are material to our business.

Environmental and Other Regulatory Matters

Environmental and Health and Safety Regulations

Our manufacturing facility and operations in Israel, and our manufacturing facility in Gujarat, India are subject to numerous Israeli and Indian environmental and workers' health and safety laws and regulations, respectively, and our supply chain operations are subject to applicable local laws and regulations. Laws and regulations govern, among other things, exposure to pollutants, protection of the environment; setting standards for emissions; generation, treatment, import, purchase, use, storage, handling, disposal and transport of hazardous wastes, chemicals and materials, including sludge; discharges or releases of hazardous materials into the environment, soil or water; permissible exposure levels to hazardous materials; product specifications; nuisance prevention; soil, water or other contamination from hazardous materials and remediation requirements arising therefrom; and protection of workers' health and safety.

In addition to being subject to regulatory and legal requirements, our manufacturing facilities in Israel and India operate under applicable permits, licenses and approvals with terms and conditions containing a significant number of prescriptive limits and performance standards. Business licenses for our facility in Israel contain conditions related to a number of requirements, including with respect to dust emissions, air quality, the disposal of effluents and process sludge, and the handling of waste, chemicals and hazardous materials. The business license for our Bar-Lev plant is in effect until June 30, 2024, and the Company is in the process of seeking an extension. Our site in India has a Factory License which is a basic license issued by the Inspectorate of Factories, which is in effect until December 31, 2028. The site in India has also obtained a Consent to Operate (the "**CTO**") from the State Pollution Control Board, which is a permit issued to any factory in India with all the compliance requirements related to environmental aspects, such as air emission, water and wastewater management, waste management. The CTO is valid until September 28, 2023, and following a renewal process we believe we are to receive an extended CTO in the coming weeks. We operate in Israel under poison permits that regulate our use of poisons and hazardous materials. Our current poison permits are valid until January 26, 2025, for Bar-Lev facility. Our site in India is required to comply with all applicable conditions, including with respect to water consumption, wastewater discharge, air emission monitoring and pollution control devices, hazardous wastes storage and disposal, specified in the CTO. In all our manufacturing facilities, we are implementing measures on an ongoing basis in order to achieve and maintain compliance with dust and styrene environmental and occupational emissions standards and to reduce such emissions to minimum thresholds.

Each of these permits, licenses and standards require a significant amount of monitoring, record-keeping and reporting in order for us to demonstrate compliance therewith.

Official representatives of the health and safety and environment authorities in Israel, and Gujarat visit our facilities from time to time, to inspect issues such as workplace safety, industrial hygiene, monitoring lockout tag out programs, exposure and emissions, water treatment, noise and others. Such inspections may result in citations, penalties, revocation of our business license or limitation or shut down of our facilities' operations. It may also require us to make further investments in our facilities.

From time to time, we face environmental, health and safety compliance issues related to our manufacturing facilities:

- *Emissions - Israel*. On March 2018 and later on December 2019 the IMEP issued additional terms for business license for the Bar-Lev facility, and the Company has implemented all the required terms, with certain implementing of cyber related requirements underway. The IMEP closely monitors our Bar-Lev facility's implementation of the additional terms and emissions, specifically of styrene. During July 2021, the Company received a warning letter from the IMEP in which our Bar-Lev plant was notified of violations of the Clean Air Act and the plant's business license terms, following an unannounced styrene emission sampling that revealed several cases of deviations from the styrene emission standard under the Clean Air Act in Israel. The IMEP has ordered the Company to take corrective and preventive actions, including reducing the expected timeframe for installation of additional Regenerative Thermal Oxidizer ("**RTO**") system and to implement a continuous (online) monitoring device on the Bar-Lev plant's fence. We are cooperating with the IMEP and are currently in the process of implementing all its requirements and remaining additional terms, such process is currently behind schedule, since the current geopolitical circumstances in Israel prevents the arrival of experts needed to conclude the project. In February 2022, Israel adopted a long-term goal for the reduction of environmental styrene emissions. Although such goal is not expected to impact our current operations, the adoption of new regulations could create an additional burden for any future investment in our Israeli facilities. We are constantly in the process of taking the required corrective actions in order to comply with the business license terms, the styrene emission standard and the IMEP instructions.

- *Workers' safety and health*. The Israeli Ministry of Economics, Labor Division ("**IMOE**") in Israel and the Indian Ministry of Labor and Employment, conduct audits of our plants, in which, among other things, they examine if there were any deviations from permitted ambient levels of RCS, styrene and acetone in the plants. We seek, on an ongoing basis, to continue reducing the level of exposure of our employees to RCS, styrene and acetone, while enforcing our employees' use of personal protection equipment. A fatal accident occurred at the Company's facility in Richmond Hill in February 2023. The accident was investigated by local law enforcement and OSHA and the matter is now closed.

- *Australian Market*. On December 13, 2023, Australian federal, state and territory governments announced a joint decision to ban the use, supply and manufacture of engineered stone slabs containing crystalline silica (including our quartz-based products) in Australia. Subject to the formal adoption of the legislation and regulations, the ban will go into effect on July 1, 2024, in most Australian states and territories. While we disagree with this decision, we believe that the focus should be aimed at improving occupational health and safety, and has communicated its position to Australian governments, it is taking the necessary steps to ensure supply of alternative materials to its Australian customers in line with its high standards. This process may negatively impact our sales in the near-term in the Australian market, which accounted for approximately 18.8% of revenue during the fiscal year ended December 31, 2023.

Other Regulations

We are subject to the Israeli Rest Law, which, among other things, prohibits the employment of Jewish employees on Saturdays and Jewish holidays, unless a permit is obtained from the IMEI.

If we are deemed to be in violation of the Rest Law, we may be required to halt operations of our manufacturing facilities on Saturdays and Jewish holidays, we and our officers may be exposed to administrative and criminal liabilities, including fines, and our operational and financial results could be materially and adversely impacted. For more information, see "Item 3.D. Key Information—Risk Factors—Risks relating to our incorporation and location in Israel—If we fail to comply with Israeli law restrictions concerning employment of Jewish employees on Saturdays and Jewish holidays, we and our office holders may be exposed to administrative and criminal liabilities and our operational and financial results may be materially and adversely impacted."

For information on other regulations applicable, or potentially applicable, to us, see the following risks factors in "ITEM 3.D. Key Information—Risk Factors":

- "Risks related to our business and industry—We may have exposure to greater-than-anticipated tax liabilities."

- "Risks related to our incorporation and location in Israel— Conditions in Israel could materially and adversely affect our business."

- "Risks related to our incorporation and location in Israel—The tax benefits that are available to us require us to continue to meet various conditions and may be terminated or reduced in the future, which could increase our costs and taxes."

- "Risks related to our incorporation and location in Israel—If we are considered a 'monopoly' under Israeli law, we could be subject to certain restrictions that may limit our ability to freely conduct our business to which our competitors may not be subject.

Legal Proceedings

See "ITEM 8.A: Financial Information—Consolidated Financial Statements and Other Financial Information—Legal Proceedings."

Non-GAAP Financial Measures

We use certain non-GAAP financial measures to evaluate our performance in conjunction with other performance metrics. The following are examples of how we use such non-GAAP measures:

- Our annual budget is based in part on these non-GAAP measures.

- Our management and board of directors use these non-GAAP measures to evaluate our operational performance and to compare it against our work plan and budget.

Our non-GAAP financial measures, adjusted gross profit, adjusted EBITDA and adjusted net income (loss) attributable to controlling interest, have no standardized meaning and accordingly have limitations in their usefulness to investors. We provide such non-GAAP data because management believes that such data provides useful information to investors. However, investors are cautioned that, unlike financial measures prepared in accordance with U.S. GAAP, non-GAAP measures may not be comparable with similar measures used by other companies. These non-GAAP financial measures are presented solely to permit investors to more fully understand how management and our board assess our performance. The limitations of these non-GAAP financial measures as performance measures are that they provide a view of our results of operations without reflecting all events during a period and may not provide a comparable view of our performance to other companies in our industry.

Investors should consider non-GAAP financial measures in addition to, and not as replacements for, or superior to, measures of financial performance prepared in accordance with GAAP.

In arriving at our presentation of non-GAAP financial measures, we exclude items that either have a non-recurring impact on our income statement or which, in the judgment of our management, are items that, either as a result of their nature or size, could, were they not singled out, potentially cause investors to extrapolate future performance from an improper base. In addition, we also exclude share-based compensation expenses to facilitate a better understanding of our operating performance, since these expenses are non-cash and accordingly, we believe do not affect our business operations. While not all inclusive, examples of these items include:

- amortization of purchased intangible assets;

- legal settlements (both gain or loss) and loss contingencies, due to the difficulty in predicting future events, their timing and size;

- Impairment expenses

- material items related to business combination activities important to understanding our ongoing performance;

- excess cost of acquired inventory;

- expenses related to our share-based compensation;

- significant one-time offering costs;

- significant one-time non-recurring items (both gain or loss);

- material extraordinary tax and other awards or settlements, both amounts paid and received; and

- tax effects of the foregoing items.

	2023	2022	2021	2020	2019
Reconciliation of Gross profit to Adjusted Gross profit:					
Gross profit	$ 91,939	$ 163,245	$ 171,498	$ 133,942	$ 148,639
Share-based compensation expense (a)	95	315	321	416	285
Non-recurring import related income	—	—	—	—	(1,501)
Amortization of assets related to acquisitions	285	306	852	529	—
Non recurring items related to restructuring (b)	3,924	237	-	-	1,661
Other non-recurring items	(304)	-	—	—	—
Adjusted Gross profit	$ 95,939	$ 164,103	$ 172,671	$ 134,887	$ 149,084

(a) Share-based compensation includes expenses related to stock options and restricted stock units granted to employees and directors of the company.

(b) In 2023, reflects residual operating expenses related to Sdot-Yam after closing; In 2022, reflects workforce reduction and in 2019, reflects mainly one-time amortization of machinery equipment with no future alternative use, and one-time inventory write down due to discontinuation of certain product group manufacturing.

	2023	2022	2021	2020	2019
Reconciliation of Net Income (loss) to Adjusted EBITDA:					
Net income (loss)	$ (108,240)	$ (56,366)	$ 17,889	$ 7,622	$ 12,862
Finance expenses (income), net	(1,069)	(3,079)	7,590	10,199	5,578
Taxes on income	21,281	758	1,950	4,700	6,243
Depreciation and amortization	30,007	36,344	35,407	29,460	28,587
Legal settlements and loss contingencies, net (a)	(4,770)	568	3,283	6,319	12,359
Contingent consideration adjustment related to acquisition	264	120	284	—	—
Share-based compensation expense (b)	1,025	1,502	1,845	2,858	3,632
Impairment expenses related to goodwill and long-lived assets	47,939	71,258	—	—	—
Non-recurring import related expense (income)	—	—	—	—	(1,501)
Acquisition-related expenses	-	80	—	921	—
Non recurring items related to restructuring (c)	4,438	684	-	-	1,286
Other non-recurring items	(304)	-	—	—	-
Adjusted EBITDA	$ (9,429)	$ 51,869	$ 68,248	$ 62,079	$ 69,046

(a) Consists of legal settlements expenses and loss contingencies, net related to product liability claims and other adjustments to ongoing legal claims, including related legal fees.

(b) Share-based compensation includes expenses related to stock options and restricted stock units granted to employees and directors of the company.

(c) In 2023, related to long-lived assets impairment and restructuring expenses related to closure of Richmond plant, impairment and restructuring expenses related to Sdot Yam plant closure. In 2022, related to workforce reduction, in 2019, relates to non-recurring expenses related to North American region establishment, one-time charge related to reduction in headcount and certain activities including discontinuation of certain product group manufacturing.

	2023	2022	2021	2020	2019
Reconciliation of Net Income (loss) Attributable to Controlling Interest to Adjusted Net Income Attributable to Controlling Interest:					
Net income (loss) attributable to controlling interest	$ (107,656)	$ (57,054)	$ 18,966	$ 7,218	$ 12,862
Legal settlements and loss contingencies, net (a)	(4,770)	568	3,283	6,319	12,359
Contingent consideration adjustment related to acquisition	264	120	284	—	—
Amortization of assets related to acquisitions, net of tax	2,142	2,084	2,391	446	—
Share-based compensation expense (b)	1,025	1,502	1,845	2,858	3,632
Non-cash revaluation of lease liabilities (c)	(1,556)	(9,527)	2,918	3,189	3,615
Non-recurring import related expense (income)	—	—	—	—	(1,501)
Impairment expenses related to goodwill and long-lived assets	47,939	71,258	—	—	—
Acquisition-related expenses	-	80	—	921	—
Non recurring items related to restructuring (d)	4,438	684	—	—	2,486
Other non-recurring items	(304)	—	—	—	—
Total adjustments before tax	49,178	66,769	10,721	13,733	20,591
Less tax on above adjustments (e)	(12,035)	(910)	1,054	4,488	6,729
Total adjustments after tax	$ 61,213	$ 67,679	$ 9,667	$ 9,245	$ 13,862
Adjusted net income (loss) attributable to controlling interest	$ (46,443)	$ 10,625	$ 28,633	$ 16,463	$ 26,724

(a) Consists of legal settlements expenses and loss contingencies, net related to product liability claims and other adjustments to ongoing legal claims, including related legal fees.

(b) Share-based compensation includes expenses related to stock options and restricted stock units granted to employees and directors of the company.

(c) Exchange rate differences deriving from revaluation of lease contracts in accordance with FASB ASC 842.

(d) In 2023, related to long-lived assets impairment and restructuring expenses related to closure of Richmond and Sdot Yam plants. In 2022, related to workforce reduction, in 2019, relates to non-recurring expenses related to North American region establishment, one time charge related to reduction in headcount and certain activities including discontinuation of certain product group manufacturing, one time amortization of machinery equipment with no future alternative use.

(e) Based on the effective tax rates of the relevant periods.

C. Organizational Structure

The legal name of our company is Caesarstone Ltd.

Caesarstone was organized under the laws of the State of Israel. We have six direct wholly-owned subsidiaries: Caesarstone Australia PTY Limited, which is incorporated in Australia, Caesarstone South East Asia PTE LTD, which is incorporated in Singapore, Caesarstone (UK) Ltd., which is incorporated in the United Kingdom, Caesarstone Canada Inc., which is incorporated in Canada, Caesarstone Scandinavia AB, which incorporated in Sweden, and Caesarstone USA, Inc., which, together with its two wholly-owned subsidiaries, Caesarstone Technologies USA, Inc. and Omicron LLC, are incorporated in the United States. In addition, following the Lioli Acquisition, Caesarstone Ltd. holds a majority interest of Lioli, incorporated in India, and therefore is consolidating the results of its operations in our Consolidated Financial Statements.

We operate based on regional structure with teams in each of our mentioned subsidiaries.

D. Property, Plants and Equipment

Our manufacturing facilities are located in Israel and India. The following table sets forth our most significant facilities as of December 31, 2023:

Properties	Issuer's Rights	Location	Purpose	Size
Kibbutz Sdot-Yam(1)	Land Use Agreement	Caesarea, Central Israel	Headquarters, research and development center	Approximately 30,000 square meters of facility and approximately 48,000 square meters of un-covered yard*
Bar-Lev Industrial Park manufacturing facility(2)	Land Use Agreement & Ownership	Carmiel, Northern Israel	Manufacturing facility	Approximately 23,000 square meters of facility and approximately 50,000 square meters of un-covered yard**
Belfast Industrial Center (3)(4)	Ownership	Richmond Hill, Georgia, United States	Manufacturing facility	Approximately 26,000 square meters of facility and approximately 401,000 square meters of un-covered yard (excluding 56,089 square meters of wetland)
Bharat Nagar (5)	Ownership	Morbi, Gujarat, India	Manufacturing facility	Approximately 60,000 square meters of facility and approximately 55,000 square meters of open land, gas yard, effluent treatment plant, labor colony and roads

* Square-meter figures with respect to properties in Israel are based on data measured by the relevant municipalities used for local tax purposes.

** Square-meter figures based on data used by Israeli municipalities for local tax purpose is adjusted to reflect the property leased from Kibbutz Sdot-Yam as agreed between us and the Kibbutz during 2014. This does not include an additional 5,000 square meters adjacent to the manufacturing facility, which we acquired in December 2019.

(1) Leased pursuant to a land use agreement with Kibbutz Sdot-Yam entered in March 2012 with a term of 20 years, which replaced the former land use agreement. Starting from September 2014 we use an additional 9,000 square meters pursuant to Kibbutz Sdot-Yam's consent under terms materially similar to the land use agreement. However, we have the right to return such additional office space and premises to Kibbutz Sdot-Yam at any time upon 90 days' prior written notice. In September 2016, we exercised our right to return to the Kibbutz an additional office space of approximately 400 square meters which we used since January 2014 under terms materially similar to the land use agreement. The lands on which these facilities are located are held by the ILA and leased or subleased by Kibbutz Sdot-Yam pursuant to agreements described in "ITEM 7.B: Major Shareholders and Related Party Transactions—Related Party Transactions—Relationship and agreements with Kibbutz Sdot-Yam—Land use agreement."

(2) We own 2,673 square meters of facility and 2,550 square meters of uncovered yard, and the remainder is leased pursuant to a land use agreement with Kibbutz Sdot-Yam entered into in March 2011, with a term of 10 years commencing in September 2012, which will be automatically renewed, unless we give two years' prior notice, for an additional 10-year term. In 2021, the agreement was extended for an additional ten-year period. This agreement was executed simultaneously with the land purchase and leaseback agreement we entered into with Kibbutz Sdot-Yam, according to which Kibbutz Sdot-Yam acquired from us our rights in the lands and facilities of the Bar-Lev industrial center, under a long term lease agreement we entered into with the ILA on June 6, 2007 to use the premises for an initial period of 49 years as of February 6, 2005, with an option to renew for an additional term of 49 years as of the end of the initial period. For more information, see "ITEM 7.B: Major Shareholders and Related Party Transactions—Related Party Transactions—Relationship and agreements with Kibbutz Sdot-Yam—Land purchase agreement and leaseback."

(3) On September 17, 2013, we entered into a purchase agreement for the purchase of approximately 45 acres of land in Richmond Hill, Georgia, United States, comprising approximately 36.6 acres of upland and approximately 9 acres of wetland for our new U.S. manufacturing facility, the construction of which was completed in 2015. On June 22, 2015, we exercised a purchase option in the agreement and acquired approximately 19.4 acres of land, comprising approximately 18.0 acres of upland. On November 25, 2015, we entered into a new purchase agreement for the purchase of approximately 54.9 acres of additional land situated adjacent to the previously purchased land, comprising approximately 51.1 acres of upland. Consistent with our restructuring plan initiated in mid-2023, in December 2023 we announced the closure of its Richmond Hill manufacturing facility, effective mid-January 2024. This decision is expected to contribute savings of approximately $20 million annually by optimizing its manufacturing footprint.

(4) In December 2014, we entered into a bond purchase loan agreement, were issued a taxable revenue bond on December 1, 2014, and executed a corresponding lease agreement. Pursuant to these agreements, the Development Authority of Bryan County, an instrumentality of the State of Georgia and a public corporation ("**DABC**"), has acquired legal title of our facility in Richmond Hill, in the State of Georgia, U.S., and in consideration leased such facilities back to us. In addition, the facility was pledged by DABC in favor of us and DABC has committed to re-convey title to the facility to us upon the maturity of the bond or at any time at our request, upon our payment of $100 to DABC. Therefore, we consider such facilities to be owned by us. This arrangement was structured to grant us property tax abatement for ten years at 100% and additional five years at 50%, subject to our satisfying certain qualifying conditions with respect to headcount, average salaries paid to our employees and the total capital investment amount in our U.S. plant. In December 2015, we entered into an additional bond purchase loan agreement with the Development Authority of Bryan County and were issued a second taxable revenue bond on December 22, 2015, to cover additional funds and assets which were utilized in the framework of constructing, acquiring and equipping our U.S. facility. If we were to expand our current U.S. facility, we would have been entitled to an additional taxable revenue bond and a corresponding property tax abatement. In 2017, we notified DABC that we will not be utilizing such additional bond at this time and, accordingly, it has expired.

(5) In October 2020, we acquired a majority stake, in Lioli, which owns the Bharat Nagar facility in Morbi, Gujarat, India. For more information on our title to the property in Morbi, Gujarat, India, see "ITEM 3.D. Key Information—Risk Factors—Operational Risks—Fully integrating Lioli's and Omicron's businesses may be more difficult, costly and time-consuming than expected, which may adversely affect our results of operations and the value of our common shares."

For further discussion and details of the productive capacity of our facilities, see "ITEM 4.B: Information on the Company—Business Overview—Manufacturing and Facilities." Various environmental issues may affect our utilization of the above-mentioned facilities. For further discussion, see "Item 4.B. Information on the Company—Business Overview—Environmental and Other Regulatory Matters—Environmental and Health and Safety Regulations" above.

ITEM 4A: Unresolved Staff Comments

Not applicable.

ITEM 5: Operating and Financial Review and Prospects

A. Operating Results

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial information presented in "ITEM 3: Key Information," our audited consolidated balance sheets as of December 31, 2023 and 2022, the related consolidated income statements and cash flow statements for each of the three years ended December 31, 2023, 2022 and 2021, and related notes and the information contained elsewhere in this annual report. Our financial statements have been prepared in accordance with U.S. GAAP. See "ITEM 3.D: Key Information—Risk Factors" and "Special Note Regarding Forward-Looking Statements."

Company overview

We are a leading brand of high-end engineered surfaces used primarily as countertops in residential and commercial buildings. We design, develop and produce engineered stone and porcelain products that offer aesthetic appeal and functionality through a distinct variety of colors, styles, textures, and finishes used in countertops, vanities, and other interior and exterior surfaces. Our high-quality engineered stone surfaces are marketed and sold under our premium Caesarstone brand. We have grown to become one of the largest global providers of engineered stone surfaces. Our products accounted for approximately 4.4% of global engineered stone by volume in 2022. Our sales in the United States, Australia (including New Zealand), Canada and Israel, our four largest markets, accounted for 48.1%, 18.8%, 13.4% and 4% of our revenues in 2023. We believe that our revenues will continue to be highly concentrated among a relatively small number of geographic regions for the foreseeable future. For further information with respect to our geographic concentration, see "ITEM 3.D: Key Information—Risk Factors—Our revenues are subject to significant geographic concentration and any disruption to sales within one of our key existing markets could materially and adversely impact our results of operations and prospects."

Between 2010 to 2023, our revenue grew at a compound annual growth rate of 8.4% driven mainly by the continued quartz penetration and the Lioli and Omicron acquisitions, increased remodeling spending in all our top three markets and growth in the residential segment in the United States, our largest market. In addition, the portion of innovative designs within our offering increased over time. Our revenue trend reversed and revenues decreased by 18.2% during 2023. See "—Comparison of period-to-period results of operations—Year ended December 31, 2023, compared to year ended December 31, 2022—Revenues" for additional information.

During 2023, our gross margin decreased from 23.6% to 16.3% (our adjusted gross margin decreased from 23.8% to 17%), and our margin of net loss attributable to controlling interest was 19.0% compared to 8.3% in 2022 (the adjusted margin of net income (loss) attributable to controlling interest decreased from an adjusted net income of 1.5% in 2022 to an adjusted net loss of 8.2% over the same period).

Adjusted EBITDA margin decreased from a positive 7.5% to a negative Adjusted EBITDA of 1.7%. We define each of such margins by dividing adjusted gross profit, adjusted EBITDA, and adjusted net income (loss) attributable to controlling interest, respectively, by revenues. Adjusted EBITDA, adjusted gross profit, and adjusted net income (loss) attributable to controlling interest are non-GAAP financial measures, see "ITEM 4.B: Information on the Company—Business Overview—Non-GAAP Financial Measures" for a description of how we define adjusted EBITDA and adjusted net income attributable to controlling interest and reconciliations of net income to adjusted EBITDA and net income attributable to controlling interest to adjusted net income attributable to controlling interest. We attribute the decrease in the adjusted EBITDA margin mainly due to increased manufacturing costs per unit due to lower capacity utilization which resulted in lower fixed-costs absorption, increased logistics costs higher raw material prices, lower revenues offset by decrease in shipping prices and higher selling price.

Our mission is to be the first brand of choice for surfaces all around the world. We believe that a significant portion of our future growth will come from our U.S. market where we see the greatest growth opportunity. We believe that transitioning to direct sales will contribute to our future growth in the long term. We believe that in order to remain competitive in the long term, we will need to grow our business both organically and through acquisitions.

As part of the Company's business growth strategy, strategic acquisitions are considered opportunities to enhance our value proposition through differentiation and competitiveness. In recent years and as further described below, we have successfully executed on this strategy, including our 2020 acquisitions of Lioli, an India-based developer and producer of porcelain countertop slabs with manufacturing facilities in Asia; Omicron, a premier stone supplier operating in several locations across the United States in Florida, Ohio, Michigan and Louisiana, which now operate as part of our United States operations; and Caesarstone Scandinavia a Swedish distributor. For more information, see "2020 Acquisitions" below.

Factors impacting our results of operations

We consider the following factors to be important in analyzing our results of operations:

- Our sales are impacted by home renovation and remodeling and new residential construction, and to a lesser extent, commercial construction. We estimate (supported also by the Freedonia Report) that approximately 60%-70% of our revenue in our main markets (U.S., Australia, Canada) is related to residential renovations and remodeling activities, while 30%-40% is related to new residential construction.

- Our revenues and results of operations traditionally exhibit some quarterly fluctuations as a result of seasonal influences which impact construction and renovation cycles. Due to the fact that certain of our operating costs are fixed, the impact of such fluctuations on our profitability could be material. We believe that the second and third quarters tend to exhibit higher sales volumes than the other quarters because demand for our surfaces and other products is generally higher during the summer months in the northern hemisphere with the effort to complete new construction and renovation projects before the new school year. Conversely, the first quarter is typically impacted by the winter slowdown in the northern hemisphere in the construction industry and might impact sales in Israel depending on the timing of the spring holiday a particular year. Similarly, sales in Australia during the first quarter are negatively impacted by fewer construction and renovation projects. The fourth quarter is susceptible to being impacted by the onset of winter in the northern hemisphere. These trends were not visible during 2023 which was affected by challenging macro-economic conditions impacting our revenues.

- We conduct business in multiple countries in North America, South America, Europe, Asia-Pacific, Australia, and the Middle East and as a result, we are exposed to risks associated with fluctuations in currency exchange rates between the U.S. dollar and certain other currencies in which we conduct business. A significant portion of our revenues is generated in U.S dollar, and to a lesser extent the Australian dollar, Canadian dollar, Euro and NIS. In 2023, 49.3% of our revenues were denominated in U.S. dollars, 18.8% in Australian dollars, 13.4% in Canadian dollars, 6.4% in Euros and 3.9% in NIS. As a result, devaluations of the Australian dollars, and to a lesser extent, the Canadian dollar relative to the U.S. dollar may unfavorably impact our profitability. Our expenses are largely denominated in U.S. dollars, NIS and Euro, with a smaller portion in Australian dollars and Canadian dollars. As a result, appreciation of the NIS, and to a lesser extent, the Euro relative to the U.S. dollar may unfavorably affect our profitability. We attempt to limit our exposure to foreign currency fluctuations through forward contracts, which, except for U.S. dollar/NIS forward contracts, are not designated as hedging accounting instruments under ASC 815, Derivatives and Hedging. We currently engage in derivatives transactions, such as forward contracts, to hedge against the risks associated with our foreign currency exposure. Our strategy to hedge our cash flow exposures involves consistent hedging of exchange rate risk in variable ratios up to 100% of the exposure over rolling 12 months. As of December 31, 2023, our average hedging ratio was approximately 9% out of our expected currencies exposure for 2023. As of December 31, 2023, we had total outstanding forward contracts with a notional amount of $21.2 million. These forward contracts were for a period of up to 12 months. The fair value of these foreign currency derivative contracts was positive $0.5 million, which is included in our current assets and current liabilities, as of December 31, 2023. Hedging results are charged to finance expenses, net, and therefore, do not offset the impact of currency fluctuations on our operating income. Our U.S. dollar/NIS forward contracts are charged to operating expenses as designated hedge instruments, partially offsetting the impact of the U.S. dollar/NIS currency fluctuations on our operating income (loss). While we may decide to enter into additional hedging transactions in the future, the availability and effectiveness of these transactions may be limited and we may not be able to successfully hedge our exposure, which could adversely affect our financial condition and results of operations. For further discussion of our foreign currency derivative contracts, see "ITEM 11: Quantitative and Qualitative Disclosures About Market Risk.".

Components of statements of income

Revenues

We derive our revenues from sales of engineered mineral surfaces their fabrication and installation services, and, to a lesser extent, other surfaces and ancillaries, mostly to fabricators and resellers in our direct markets and to third-party distributors in our indirect markets. The purchasers of our products in our non-direct markets are our third-party distributors who, in turn, fabricate or sell to local fabricators and re-sellers. Our direct sales accounted for 89% of our revenues, for the years ended December 31, 2023.

Revenue is recognized when a customer obtains control of promised goods or when services have been rendered in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services.

The warranties that we provide vary by market. In our indirect markets, we provide all our distributors with a limited direct manufacturing defect warranty. In all our indirect markets, distributors are responsible for providing warranty coverage to end-customers. In our direct markets we provide end-consumers with a limited warranty on our products for varying applications and duration. Based on historical experience, warranty issues are generally identified within one and a half years after the shipment of the product and a significant portion of defects are identified before installation. We record a reserve on account of possible warranty claims, included in our cost of revenues. Historically, warranty claims expenses have been low, accounting for approximately 0.2% of our total cost of goods sold in 2023.

The following table sets forth the geographic breakdown of our revenues during the periods indicated:

	Year ended December 31,					
	2023		2022		2021	
Geographical Region	**% of total revenues**	**Revenues in thousands of USD**	**% of total revenues**	**Revenues in thousands of USD**	**% of total revenues**	**Revenues in thousands of USD**
United States	48.1%	$ 271,647	49.5%	$ 342,293	47.4%	$ 305,353
Canada	13.4%	75,462	13.5%	93,377	13.1	84,467
Latin America	0.6%	3,285	0.6%	4,481	0.7	4,702
Australia (incl. New Zealand)	18.8%	106,223	16.8%	116,284	18.4	118,714
Asia	4.6%	25,959	5.0%	34,607	4.7	30,390
EMEA	10.6%	59,908	9.2%	63,320	9.4	60,836
Israel	4.0%	22,747	5.3%	36,444	6.1	39,430
Total	100.0%	$ 565,231	100.0%	$ 690,806	100%	$ 643,892

Revenue in 2023 was $565.2 million compared to $690.8 million in the prior year. On a constant currency basis, 2023 revenue was lower by 17% year-over-year, mainly due to lower volume resulting from macroeconomic headwinds and competitive pressures. The increase in 2022 revenues compared to 2021 on a constant currency basis was 10.8% and was mainly due to higher selling prices.

Revenues in the U.S. decreased by 20.6% in 2023 compared to an increase of 12.1% in 2022. The decrease in 2023 is mainly due to lower volume. The increase in 2022 was mainly due to higher prices.

Revenues in Canada decreased by 19.2% in 2023 mainly due to lower volume compared to an increase of 10.5% in 2022, representing a 16.1% decrease and 14.6% increase on a constant-currency basis, respectively.

Revenues in Latin America decreased by 26.7% in 2023 compared to a decrease of 4.7% in 2022.

Revenues in Australia decreased by 8.7% in 2023 compared to a decrease of 2% in 2022 mainly due to lower volume. On a constant currency basis, revenues in Australia decreased by 4.7% in 2023 and increased by 6.2% in 2022.

Revenues in Asia decreased by 25% in 2023 compared to an increase of 13.9% in 2022 mainly due to lower volume resulting from macroeconomic headwinds and competitive pressures. On a constant currency basis, revenues in Asia decreased by 26% in 2023 and increased by 15.3% in 2022.

Revenues in EMEA decreased by 5.4% in 2023 and increased by 4.1% in 2022 mainly due to lower volume resulting from macroeconomic headwinds and competitive pressures. On a constant-currency basis, revenue decreased in EMEA by 7.6% in 2023 and increased by 16.7% in 2022.

Revenues in Israel decreased by 37.6% in 2023 compared to a decreased of 7.6% in 2022. On a constant currency basis, revenues decreased by 31.4% in 2022 and by 4.5% in 2022. This decrease is attributable to the macroeconomic, competitive environments as well as the recent attack by Hamas and other terrorist organizations from the Gaza Strip.

For additional information, see "—Comparison of period-to-period results of operations—Year ended December 31, 2023 compared to year ended December 31, 2022—Revenues." And "Conditions in Israel, including the recent attack by Hamas and other terrorist organizations from the Gaza Strip and elsewhere in the region, and Israel's war against them, may adversely affect our operations and limit our ability to market our products, which would lead to a decrease in revenues"

Cost of revenues and gross profit margin

Our cost of revenues includes the cost of manufactured products sold as well as the cost of purchased products from third parties such as engineered stone, Porcelain, natural stone and other ancillary products. We experienced a decrease in costs that are connected with the global supply chain environment after their increase during 2022. The price of our main raw materials for engineered stone products, minerals and polyester, decreased during 2023. Approximately 30% of our cost of revenues (related to our manufactured products) consists of raw material costs. The cost of our raw materials consists of the purchase prices of such materials and costs related to the logistics of delivering the materials to our facilities but does not include the cost of raw materials used in the production of products produced by our PBPs. In addition, approximately 15.8% of our cost of revenues relates to products purchased from PBP. Our raw materials costs are also impacted by changes in foreign exchange rates. Our principal raw materials, minerals and polyester jointly accounted for approximately 70% of our total raw material cost in 2023. The balance of our cost of revenues consists primarily of manufacturing costs, related overhead and the cost of other products not manufactured by us. Cost of revenues in our direct distribution channels also includes the cost of delivery from our manufacturing facilities to our warehouses, warehouse operational costs, as well as additional delivery costs associated with the shipment of our products to customer sites in certain markets. In the U.S. and Canada, we also incur fabrication and installation costs related to retail sales and other commercial building projects. In the case of our indirect distribution channels, we bear the cost of delivery to the seaport closest to our production plants and our distributors bear the cost of delivery from the seaport to their warehouses.

In 2023, approximately 69% of our total minerals including quartz were purchased from suppliers in Turkey, with the major part from Mikroman and Ekom.

Minerals (primarily quartz) accounted for approximately 38.2% of raw materials cost in 2023. Accordingly, our cost of sales and overall results of operations are impacted significantly by fluctuations in quartz prices. In 2023 and 2022, the average cost of quartz decreased by 7.7% and increased by 17.9%, respectively. The decrease in 2023 was primarily due to a decrease in shipping costs. Any future increases in the cost of minerals may adversely impact our margins and net income.

Given the significance of polyester costs relative to our total raw material expenditures, our cost of sales and overall results of operations are impacted significantly by fluctuations in polyester prices, which generally correlate with benzine prices. In 2023, our average polyester costs decreased by approximately 31% as a result of decrease in energy prices and shipping costs. In 2022, our average polyester costs increased by approximately 23% as a result of unfavorable market conditions. Any future increases in polyester costs may adversely impact on our margins and net income.

We are exposed to fluctuations in the prices of pigments, although to a lesser extent than with polyester. For example, the cost of titanium dioxide, our principal white pigmentation agent, decreased in 2023 by approximately 28% due to decrease in energy prices and improved product sourcing, compared with an increase of 11% during 2022. Any future increases in pigments costs may adversely impact on our margins and net income.

The gross profit margins on sales in our direct markets are generally higher than in our indirect markets in which we use third-party distributors, due to the elimination of the third-party distributor's margin. In many markets, our expansion strategy is to work with third-party distributors who we believe will be able to increase sales more rapidly in their market and be more cost effective than if we distributed our products directly. However, in several markets we distribute directly, including the United States, Australia, Canada and in the United Kingdom, Scandinavia, Singapore and India. In the future, we intend to evaluate other potential markets to distribute directly.

Research and development, net

Our research and development expenses consist primarily of salaries and related personnel costs, as well as costs for subcontractor services and costs of materials consumed in connection with the design and development of our products. We expense all our research and development costs as incurred.

Selling and marketing

Selling and marketing expenses consist primarily of compensation and associated costs for personnel engaged in sales, marketing, distribution and advertising and promotional expenses. In 2023, our advertising and promotional expenses as well as marketing assistance expenses slightly increased in order to continue porcelain marketing efforts and maintain the Caesarstone brand. In 2022 expenses increased in connection with the increase in sales team, primarily in the U.S. and the launch of porcelain products globally.

General and administrative

General and administrative expenses consist primarily of compensation and associated costs for personnel engaged in finance, human resources, information technology, legal and other administrative activities, as well as fees for legal and accounting services. See “—Other factors impacting our results of operations —Agreements with Kibbutz Sdot-Yam” and “ITEM 7: Major Shareholders and Related Party Transactions—Related Party Transactions.”

Goodwill and long-lived assets impairment charges

Impairment of long-lived assets: in 2023 and 2022 year-ends, the Company identified indicators for impairment, among others, reduced demand due to global market conditions, lower utilization in certain plants, increased inflation and higher interest rates. Following these indicators and following the announcements on closures of Sdot Yam and Richmond Hill plants, and in accordance with ASC360, we recorded the following impairment expenses:

- During 2022 - a property, plant and equipment expenses of $26.4 million related to Sdot Yam facility.

- During 2023 - property plant and equipment expenses of $27.5 million related to Richmond Hill facility and $1.0 million related to Sdot Yam facility, and right of use assets impairment of $16.6 million related to Sdot Yam facility land use agreement.

Goodwill: As of December 31, 2023 and 2022 our goodwill was fully impaired. During the year ended December 31, 2022 the Company recorded goodwill impairment of $44.8 million.

See also Note 6 and Note 7 to our financial statements included elsewhere in this report.

Legal settlements and loss contingencies, net

Legal settlements and loss contingencies, net consists of expenses related to settlements expenses and estimated exposure not covered by our insurance applicable mainly to individual silicosis claims. We recorded $4.8 million of credit for these expenses in 2023, compared to $0.6 million of expenses in 2022, and $3.3 million in 2021. The change from 2022 to 2023 is mainly attributed to a reduction in estimates made by our legal counsel in light of certain court rulings, and also due to lower then estimated settlement amounts in Israel. See “—Financial Information—Consolidated Financial Statements and Other Financial Information—Legal Proceedings—Claim by former South African distributor”.

Finance (income) expenses, net

Finance expenses (income), net, consist primarily of bank and credit card fees, borrowing costs and exchange rate differences arising from changes in the value of monetary assets and monetary liabilities stated in currencies other than the functional currency of each entity. These expenses are partially offset by interest income on our cash balances and gains on derivative instruments. The finance income during 2023 related mainly to exchange rate differences arising from changes in the value of monetary assets and monetary liabilities in Israel due to the strengthening of the USD against the NIS.

Corporate taxes

As we operate in multiple countries, our income is subject to taxation in different jurisdictions with a range of tax rates. Our effective tax rate was 24.5% in 2023, 1.4% in 2022 and 9.8% in 2021. In 2023 our effective tax rate is attributable mostly to taxable loss position in Israel and the United States for three consecutive years and as a result establishing full valuation allowance on the deferred tax assets, net. In 2022 and 2021 the lower effective tax rate is attributable mainly to taxable losses in certain entities and to deferred tax assets recorded to capture carry forward NOLs. See also note 12 to our financial statements included elsewhere in this report.

The standard corporate tax rate for Israeli companies was 23% in each of 2023, 2022, and 2021. Our non-Israeli subsidiaries are taxed according to the tax laws in their respective countries of origination.

Effective January 1, 2011, with the enactment of Amendment No. 68 to the Israeli Tax Law, both of our Israeli facilities operate under a consolidated “Preferred Enterprise” status. The “Preferred Enterprise” status provides the portion related to the Bar-Lev manufacturing facility with the potential to be eligible for grants of up to 20% of the investment value in approved assets and a reduced flat corporate tax rate, which applies to the industrial enterprise’s entire preferred income, 7.5% in 2017 onward. For the portion related to the Sdot-Yam facility, this status provides us with a reduced flat corporate tax rate, which applies to the industrial enterprise’s entire preferred income, which was 16% during the same period. During 2023, and as part of the company’s restructuring plan, the company closed Sdot-Yam manufacturing facility, ending future portion related to Sdot-Yam facility and reduced corporate tax rate applied to this income.

In December 2017, the U.S. enacted significant tax reform commencing with the year ended December 31, 2017, including, but not limited to (1) reducing the U.S. federal corporate income tax rate to 21% effective 2018; and (2) imposing a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries of U.S. companies that had not been previously taxed in the U.S.

The TCJA also established new tax provisions affecting 2018, including, but not limited to (1) creating a new provision designed to tax global intangible low-tax income; (2) generally eliminating U.S. federal taxes on dividends from foreign subsidiaries; (3) eliminating the corporate alternative minimum tax; (4) creating the base erosion anti-abuse tax; (5) establishing a deduction for foreign derived intangible income; (6) repealing the domestic production activity deduction; and (7) establishing new limitations on deductible interest expense and certain executive compensation.

The reduction of the U.S. federal corporate income tax rate required us to remeasure our deferred tax assets and liabilities as of the date of enactment. For the year ended December 31, 2017, we decreased the net deferred tax liability as a result of such remeasurement, resulting in tax income benefit for the year ended December 31, 2017.

As of December 31, 2019, certain provisions of the TCJA remains subject to Internal Revenue Service as well as state tax authorities' guidance and interpretation which could have a material adverse effect on our cash tax liabilities, results of operations, and financial condition. In addition, the TCJA could be subject to potential amendments and technical corrections, any of which could materially lessen or increase certain adverse impacts of the legislation on us and our business. We will continue to evaluate the effects of the TCJA on us as federal and state tax authorities issue additional regulations and guidance.

On March 27, 2020, the CARES Act was enacted in response to the COVID-19 pandemic. The CARES Act has a number of beneficial tax provisions. Among the provision of the CARES Act, the business interest deduction limit under Code Sec. 163(j) is increased to 50 percent of our adjusted taxable income in the U.S. for tax year 2020. In addition, Net operating losses (NOLs) arising in tax years beginning in 2019, 2020, and 2021 now have a five-year carryback period and an unlimited carryforward period. Under the CARES Act we carryback our U.S. NOL for the year ended December 31, 2021 to prior taxable years.

For more information about the tax benefits available to us as an Approved Enterprise or as a Beneficiary Enterprise or as Preferred Enterprise, see "ITEM 10.E: Additional Information—Taxation—Israeli tax considerations and government programs."

Net income (loss) attributable to non-controlling interest

In October 2020, we acquired a majority stake in Lioli and for the year ended on December 31, 2023, 39.6% of Lioli's net income was attributed to its minority shareholders. In 2023, Lioli had a net loss of approximately $1.5 million.

Other factors impacting our results of operations

Share-based compensation

We recorded share-based compensation expenses of $1.0 million, $1.5 million and $1.8 million in 2023, 2022 and 2021, respectively, and expect to record $2.8 million over a weighted average period of 3 years from December 31, 2023. For more information, see also Note 13 to our financial statements included elsewhere in this report.

Agreements with Kibbutz Sdot-Yam

We are party to a series of agreements with our largest shareholder, the Kibbutz, which govern different aspects of our relationship. Pursuant to these agreements, in consideration for using facilities leased to us or for services provided by the Kibbutz, we paid to the Kibbutz an aggregate of $10.2 million in 2023, $11.3 million in 2022 and $11.0 million in 2021 (excluding VAT).

For more information on these agreements, see "ITEM 7.B: Major Shareholders and Related Party Transactions—Related Party Transactions."

Management Services Agreement with Tene

In November 2021, we entered into a management services agreement with Tene Growth Capital 3 Funds Management Company Ltd., the management company of the general partner of Tene Investment in Projects 2016, L.P., pursuant to which Tene Investment in Projects 2016, L.P. provides us with the services of an Executive Chairman of the Board (by Dr. Ariel Halperin), and regular business development advice services, for an aggregate annual management fee of NIS 750,000 plus VAT and expenses (excluding services of an additional director, Mr. Dori Brown, who no longer serves on our board).

For more information on these agreements, see "ITEM 7.B: Major Shareholders and Related Party Transactions—Related Party Transactions."

Acquisitions

During 2022:

Magrab Acquisition On July 6, 2022, the Company completed the acquisition of 100% of the shares of Magrab Naturtsen AB ("Magrab"), a leading distributor in Sweden, establishing first direct go-to-market presence in E.U., for a total net consideration of approximately $2.2 million, with an additional considerations of up to approximately $1.5 million.

Comparison of period-to-period results of operations

The following table sets forth our results of operations as a percentage of revenues for the periods indicated:

	Year ended December 31,					
	2023		2022		2021	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
			(in thousands of U.S. dollars)			
Consolidated Income Statement Data:						
Revenues:	$ 565,231	100%	$ 690,806	100%	$ 643,892	100%
Cost of revenues	473,292	83.7	527,561	76.4	472,394	73.4
Gross profit	91,939	16.3	163,245	23.6	171,498	26.6
Operating expenses:						
Research and development, net	5,086	0.9	4,098	0.6	4,216	0.7
Selling and marketing	82,222	14.5	94,412	13.7	85,725	13.3
General and administrative	49,490	8.8	51,596	7.5	50,845	7.9
Impairment expenses related to goodwill and long lived assets	47,939	8.5	71,258	10.3		
Legal settlements and loss contingencies, net	(4,770)	(0.8)	568	0.1	3,283	0.5
Total operating expenses	179,967	31.8	221,932	32.3	144,069	22.4
Operating income (loss)	(88,028)	(15.6)	(58,687)	(8.5)	27,429	4.3
Finance expenses, net	(1,069)	(0.2)	(3,079)	(0.4)	7,590	1.2
Income before taxes on income (loss)	(86,959)	(15.4)	(55,608)	(8.1)	19,839	3.1
Taxes on income	21,281	3.8	758	0.1	1,950	0.3
Net income (loss)	$ (108,240)	(19.1)	$ (56,366)	(8.2)	$ 17,889	2.8%
Net income (loss) attributable to non-controlling interest	(584)	0.1	688	0.1	(1,077)	(0.2)
Net income (loss) attributable to controlling interest	$ (107,656)	(19.0)%	$ (57,054)	(8.3)%	$ 18,966	2.9%

Year ended December 31, 2023, compared to year ended December 31, 2022

Revenues

Revenues decreased by $125.6 million, or 18.2%, to $565.2 million in 2023 from $690.8 million. The decrease in 2023 is mainly due to lower volume related to macroeconomic conditions including relatively high inflation and interest rate hikes across our main markets which resulted in lower demand for our products.

Cost of revenues and gross profit margins

Cost of revenues in 2023 amounted to $473.3 million compared to $527.6 million in 2022 as a result of lower revenues as mentioned above. Gross margins during 2023 decreased to 16.3% compared to 23.6% in 2022, as a result of increased manufacturing costs, due to lower capacity utilization which resulted in lower fixed-costs absorption, increase in logistics costs per unit, higher raw material prices offset by a decrease in shipping prices and favorable selling prices.

Gross profit decreased from $163.2 million in 2022 to $91.9 million in 2023, with a decrease in gross margin of 7.4%, from 23.6% in 2022 to 16.3% in 2023. The decrease in gross margin primarily reflects the increase in manufacturing costs due to lower capacity utilization which resulted in lower fixed-costs absorption, increase in logistics costs per unit higher raw material prices, offset by a decrease in shipping prices and favorable selling prices.

Operating expenses

Research and development. Research and development expenses remained relatively unchanged and amounted to $5.1 million in 2023 and $4.1 million in 2022.

Selling and marketing. Selling and marketing expenses decreased by $12.1 million, or 12.9%, to $ 82.2 million in 2023 from $94.4 million in 2022, stemming mainly from cost savings initiatives in our U.S. market related to lower volumes and lower labor expenses. Marketing expenses as a percentage of revenue increased from 13.7% in 2022 to 14.5% in 2023. In 2022 our advertising and promotional expenses as well as marketing assistance expenses increased mainly to support future growth in the U.S and to support porcelain launch.

General and administrative. General and administrative expenses (without impairment) decreased by $ 2.1 million, or 4.1%, to $49.5 million in 2023 from $51.6 million in 2022.

Legal settlements and loss contingencies, net. Legal settlements and loss contingencies, net, decreased by $5.3 million, from $0.6 million in 2022 to -$4.8 million in 2023. The change from 2022 to 2023 is mainly attributed a reduction in estimates made by our legal counsels in light of certain court rulings, and also due to lower then estimated settlement amounts in Israel.

Impairment of Goodwill and Long-lived assets. During 2023 and 2022, the Company performed impairment tests of its goodwill and indefinite-lived intangible assets and its long-lived assets which resulted in a pre-tax non cash impairment charge of $45.1 million and $71.3 million, respectively. The Company performed these tests after determining a triggering event had occurred, taking into consideration the impact of market capitalization, higher weighted average cost of capital (“WACC”), and deteriorating macroeconomic conditions, and the fact the company announced on closing of its Sdot Yam and Richmond Hill plants. In connection with the closure of our plants in Israel and in the U.S. the Company recorded $2.9 million restructuring expenses.

Finance (income) expenses, net

In 2023 the Company had finance income of $1.1 million, compared to finance income of $3.1 million in 2022. The difference was primarily a result of exchange rate differences arising from changes in the value of monetary assets and monetary liabilities in Israel due to the strengthening of the NIS against the USD.

Taxes on income

Taxes on income increased by $20.5 million to $21.3 million in 2023, from $0.7 million in 2022. Our effective tax rate was 24.5% in 2023 compared with 1.4% in 2022. This was mostly due to taxable loss position in Israel and the United States for three consecutive years and as a result deleting the related deferred tax assets.

Net income (loss) attributable to non-controlling interest

In 2023, net loss attributable to non-controlling interest amounted to $0.6 million. In 2022, net income attributable to non-controlling interest amounted to $0.7 million.

Year ended December 31, 2022, compared to year ended December 31, 2021

For a comparison of the years ended December 31, 2022, and 2021, see "ITEM 5.A. Operating and Financial Review and Prospects—Operating Results—Year ended December 31, 2022 compared to year ended December 31, 2021" included in our annual report on Form 20-F for the year ended December 31, 2022, filed with the SEC on March 15, 2023, which comparative information is herein incorporated by reference.

Seasonality

Our results of operations are impacted by seasonal factors, including construction and renovation cycles. We believe that traditionally the second and third quarters of the year exhibits higher sales volumes than other quarters because demand for mineral surface products is generally higher during the summer months in the northern hemisphere, when the weather is more favorable for renovation projects and new construction, as well as the impact of efforts to complete such projects before the beginning of the new school year. Conversely, the first quarter is impacted by a slowdown in new construction and renovation projects during the winter months in the northern hemisphere. Similarly, sales in Australia during the third quarter are negatively impacted due to fewer construction and renovation projects.

During periods of economic slowdown, seasonality trends might not manifest as was the case in 2023 results.

B. Liquidity and Capital Resources

Our primary capital requirements have been to fund production capacity expansions, as well as investments in and acquisitions of third-party distributors, such as the purchase of Caesarstone Canada Inc., our acquisition of the business of our former Australian distributor and establishing our U.K. operations, our investment in and acquisitions of Caesarstone USA (formerly known as U.S. Quartz Products, Inc.) Lioli, Omicron and Caesarstone Scandinavia, and the construction of our manufacturing facility in the United States. Our other capital requirements have been to fund our working capital needs, operating costs, meet required debt payments, finance a repurchase of our shares and to pay dividends on our share capital.

Capital resources have primarily consisted of cash flows from operations and borrowings under our credit facilities. Our working capital requirements are affected by several factors, including demand for our products, raw material costs and shipping costs.

Our inventory strategy is to maintain sufficient inventory levels to meet anticipated customer demand for our products. Our inventory is significantly impacted by sales in the United States, Australia and Canada, our largest markets, due to the 40-120 days required to ship our products to these locations from Israel or other production sources. We continue to focus on meeting market demand for our products while improving our inventory efficiency over the long term by implementing procedures to improve our production planning process.

We minimize working capital requirements through our distribution network that allows sales and marketing activities to be provided by third-party distributors. We believe that, based on our current business plan, our cash, cash equivalents and short-term bank deposits on hand, cash from operations and borrowings available to us under our revolving credit line and short-term facilities, we will be able to meet our capital expenditure and working capital requirements, and liquidity needs for at least the next twelve months. We may require additional capital to meet our liquidity needs and future growth requirements. Continued instability in the global market may increase our capital needs, and conditions in the capital markets could adversely affect our ability to obtain additional capital to grow or sustain our business and would affect the cost and terms of such capital.

The Company's material cash requirements include the following contractual and other obligations:

Leases

The Company has lease arrangements for certain equipment and facilities, including for manufacturing, logistics and offices. As of December 31, 2023, the Company had lease payment obligations of $138.1 million, with $26.0 million payable within 12 months.

Purchase Obligations

As of December 31, 2023, the Company had manufacturing equipment and raw material purchase obligations of $18.6 million all payable within 12 months. The Company's purchase obligations are primarily noncancelable.

Debt

As of December 31, 2023, the Company had outstanding bank credits and debts of an aggregate principal amount of $5.1 million all payable within 12 months. Future interest payments associated with the these amounts total $0.5 million, all payable within 12 months.

See also Note 8 and Note 15 to the financial statements included elsewhere in this report.

Cash flows

The following table presents the major components of net cash flows used in and provided by operating, investing and financing activities for the periods presented:

	Year ended December 31,		
	2023	2022	2021
	(in thousands of U.S. dollars)		
Net cash provided (used) by operating activities	$ 66,529	$ (23,311)	$ 20,684
Net cash used in investing activities	(40,526)	(7,285)	(34,885)
Net cash provided (used) by financing activities	(23,779)	9,156	(25,254)

Cash provided by operating activities

Operating activities consist primarily of net income adjusted for certain non-cash items. Adjustments to net income for non-cash items include depreciation and amortization, share-based compensation and deferred taxes. In addition, operating cash flows are impacted by changes in operating assets and liabilities, principally inventories, accounts receivable, prepaid expenses and other assets, accounts payable and accrued expenses.

Cash provided by operating activities increased during 2023 by $89.8 million from ($23.3) million to $66.5 million, mainly due to lower Inventory levels, lower raw material and shipping costs and an impact of the Sdot Yam plant closure during 2023.

Cash used in operating activities decreased in 2022 by $44 million from $20.7 million to cash used $23.3 million mainly due to decrease in trade payables by $49.3 million during 2022 compared to an increase by $46.1 million during 2021, and impairment of long-term assets by $71.3 million during 2022. During 2022 our working capital increased as a result of higher inventory levels resulting from higher raw materials and shipping costs slightly offset by improved collection from customers.

Cash used in investing activities

Net cash used in investing activities for the years ended December 31, 2023, 2022 and 2021 were $40.5 million, $7.3 million, and $34.9 million, respectively. In 2023, investing activities included $36.5 million of investing in short-term bank deposits, $11.2 million of capital expenditure offset by $7.1 million proceeds from sales and maturity of marketable securities. In 2022, investing activities included $17.8 million of capital expenditure and $ 2.2 million of cash consideration paid for the Magrab Acquisition, offset by $12.4 million proceeds from securities. In 2021, investing activities included $31.5 million of capital expenditures, and $1.3 million of investment in marketable securities.

Cash used in financing activities

Net cash used in financing activities for 2023 was $23.8 million, which included repayment of a bank credit in the same amount. Net cash provided from financing activities for 2022 was $9.2 million, which included $18.6 million short term loans receipts from banks offset by an $8.6 million dividend payment to stockholders. Net cash used in financing activities for 2021 was $25.3 million, which included a $11.8 million bank credit repayment, $10.7 million of dividends paid, and $1.3 million of repayment of a financial leaseback arrangement related to our Bar-Lev facility.

Credit facilities

As of December 31, 2023, we had a bank debt from commercial banks in India, in the amount of $7.2 million, presented in long-term and short-term liabilities, including a utilized credit line of $2.8 million bearing interest at the rate in a range of 8.8% to 9.45% (linked to MCLR/T-Bill) per annum. As of December 31, 2022, we had a long-term bank debt from commercial banks in India, as a result of the Lioli Acquisition, in the amount of $6.6 million, presented in short-term liabilities, together with a credit line of $2.7 million bearing interest at the rate equal to 7.4% per annum equal to MCLR+0.20%. The bank debt is to be repaid on a monthly basis through 2025. While the loan is outstanding, Lioli is subject to certain covenants including, among others, limiting its ability to divest assets, pay dividends, borrow additional funds and place other encumbrances on its assets. The loan agreement with the bank in Lioli contains customary covenants. Lioli is in compliance with the requirement of the financial covenants under the agreement of own capital contribution. The Loan Agreement also contains certain customary negative covenants that require Lioli to refrain from certain actions unless the bank's consent is obtained. Lioli debt is secured by an SBLC from Caesarstone and floating charge on all of Lioli's assets.

In addition, Lioli was provided with a shareholder's loan by all its shareholders (including its minority shareholders). Such loan is denominated in INR and amounts to $3.9 million, including the approximately $3.4 million that the Company extended during 2021 in part in accordance with the terms of the Lioli Acquisition, and which was used to repay certain selling shareholders. The loan bears an interest rate per annum equal to Libor rate plus 4.5% and is to be repaid during the third quarter of 2025.

During 2022, we secured a $30 million credit line in from and Israeli bank, which we have not utilized during 2023, and the credit line agreement expired during July 2023.

In addition, we had long-term and short-term debt related to the Bar-Lev sale and lease-back transaction with the Kibbutz, fully repaid during 2022.

As of December 31, 2023, we had short term line of $12 million from banks in India, of which 7.2 million were utilized as of December 31, 2023.

See also Note 8 and Note 15 to the financial statements included elsewhere in this report.

Capital expenditures

Our capital expenditures mainly included the expansion, improvement and maintenance of our manufacturing capacity and capabilities, expansion on our north America distribution network and investment and improvements in our information technology systems. In 2023, 2022 and 2021 our capital expenditures were $ 11.2 million, $17.8 million, and $31.5 million, respectively. For more information, see "Item 4.A. Information on the Company –Principal Capital Expenditures".

Land purchase agreement and leaseback

Pursuant to a land purchase agreement entered on March 31, 2011, which became effective upon our IPO, Kibbutz Sdot-Yam acquired from us our rights in the lands and facilities of the Bar-Lev Industrial Park in consideration for NIS 43.7 million (approximately $10.9 million). The carrying value of the Bar-Lev land at the time of closing this transaction was NIS 39.0 million (approximately $10.4 million). The land purchase agreement was executed simultaneously with the execution of a land use agreement.

Pursuant to the land use agreement, Kibbutz Sdot-Yam permits us to use the Bar-Lev land for a period of ten years commencing on September 2012, that will be automatically renewed, unless we give two years' prior notice, for a ten-year term in consideration for an annual fee of NIS 4.1 million (approximately $1.1 million) to be linked to increases in the Israeli consumer price index. The fee is subject to adjustment following January 1, 2021, and every three years thereafter at the option of Kibbutz Sdot-Yam if Kibbutz Sdot-Yam chooses to obtain an appraisal that supports such an increase. During 2021, the Kibbutz utilized its option under the agreement and the annual fees for Bar-Lev land were updated to NIS 8.1 million (approximately $2.6 million).

The transaction was not qualified as "sale lease-back" accounting under both ASC 840 and ASC 842 and the Company recorded the entire amount received as consideration as a liability. This liability was matured at August 31, 2022.

C. Research and Development, Patents and Licenses

Our R&D department is located in Israel. As of December 31, 2023, our corporate R&D department was comprised of 17 employees, all of whom have extensive experience in engineered stone surface manufacturing, polymer science, engineering, product design and engineered stone surface applications. In addition, our R&D for porcelain manufacturing is conducted by two dedicated employees located in India, whose activities are supported by the R&D department in Israel. In 2023, research and development costs accounted for approximately 0.9% of our revenues, and in 2022 and 2021, research and development costs accounted for approximately 0.6% and 0.7% of our revenues, respectively.

We pursue a strategy of identifying certain innovative proprietary technologies and seeking patent protection when applicable. We have obtained patents for certain of our technologies and have pending patent applications which relate to our manufacturing technology and certain products. We act to protect other innovative proprietary technologies developed by us by implementing confidentiality protection measures without pursuing patent registration. No patent application is material to the overall conduct of our business.

Research and development expenses were $5.1 million, $4.1 million and $4.2 million in 2023, 2022 and 2021, respectively.

For a description of our research and development policies, see "ITEM 4.B: Information on the Company—Business Overview—Research and development."

D. Trend Information

Other than as described in Item 3.D. "Risk Factors", in Item 5.A. "Operating Results—Factors impacting our results of operations", and in Item 5.B. "Liquidity and Capital Resources" of this annual report, which are incorporated by reference herein, we are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our net revenues, income from operations, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future operating results or financial condition.

E. Critical Accounting Estimates

Our accounting policies affecting our financial condition and results of operations are more fully described in our consolidated financial statements for the years ended December 31, 2023, 2022 and 2021, included in this annual report. The preparation of our financial statements requires management to make judgments, estimates and assumptions that affect the amounts reflected in the consolidated financial statements and accompanying notes, and related disclosure of contingent assets and liabilities. We base our estimates upon various factors, including past experience, where applicable, external sources and on other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions and could have a materially adverse effect on our reported results.

In many cases, the accounting treatment of a particular transaction, event or activity is specifically dictated by accounting principles and does not require management's judgment in its application, while in other cases, management's judgment is required in the selection of the most appropriate alternative among the available accounting principles, that allow different accounting treatment for similar transactions.

We believe that the accounting policies discussed below are critical to our financial results and to the understanding of our past and future performance as these policies relate to the more significant areas involving management's estimates and assumptions. We consider an accounting estimate to be critical if: (1) it requires us to make assumptions because information was not available at the time, or it included matters that were highly uncertain at the time we were making our estimate; and (2) changes in the estimate or different estimates that we could have selected may have had a material impact on our financial condition or results of operations.

Revenue recognition

We derive our revenues from sales of quartz surfaces mostly through a combination of direct sales in certain markets and indirectly through a network of distributors in other markets.

Under ASC 606, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. In addition, ASC 606 requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

We apply the following five steps in accordance with ASC 606:

(1) identify the contract with a customer: A contract is an agreement between two or more parties that creates enforceable rights and obligations. In evaluating the contract, we analyze the customer's intent and ability to pay the amount of promised consideration (credit risk) and consider the probability of collecting substantially all the consideration. We determine whether collectability is reasonably assured on a customer-by-customer basis pursuant to various criteria including our historical experience, credit insurance results and other inputs.

(2) identify the performance obligations in the contract: At a contract's inception, we assess the goods or services promised in a contract with a customer and identify the performance obligations. The main performance obligation is the delivery of our products.

(3) determine the transaction price: Our products that are sold through agreements with distributors are non-exchangeable, non-refundable, non-returnable and without any rights of price protection or stock rotation. Accordingly, we consider all the distributors to be end-consumers. For certain revenue transactions with specific customers, we are responsible also for the fabrication and installation of our products. We recognize such revenues upon receipt of acceptance evidence from the end consumer which occurs upon completion of the installation. Although, in general, we do not grant rights of return, there are certain instances where such rights are granted. We maintain a provision for returns in accordance with ASC 606, which is estimated, based primarily on historical experience as well as management judgment, and is recorded through a reduction of revenue.

(4) allocate the transaction price to the performance obligations in the contract: The majority of our revenues are sales of goods, therefore there is one main performance obligation that absorbs the transaction price.

(5) recognize revenue when a performance obligation is satisfied: Revenue is recognized when or as performance obligations are satisfied by transferring control of a promised good or service to a customer. Control transfers at a point in time, which affects when revenue is recorded. The majority of our revenues deriving from sales of products which are recognized when control is transferred based on the agreed International Commercial terms, or "INCOTERMS".

We adopted ASC 606 in the first quarter of 2018 using the modified retrospective method, no cumulative effect adjustment as of the date of the adoption was required.

Prior years information has not been restated and continues to be reported under the old accounting standard 605, "Revenue Recognition" (ASC 605).

Lease accounting

On January 1, 2019, we adopted Accounting Standards Update ("**ASU**") No. 2016-02, Leases ("**Topic 842**"), as amended, which supersedes the lease accounting guidance under Topic 840, and generally requires lessees to recognize operating and financing lease liabilities and corresponding Right-Of-Use ("**ROU**") assets on the balance sheet and to provide enhanced disclosures surrounding the amount, timing and uncertainty of cash flows arising from leasing arrangements. We adopted the new guidance using the modified retrospective transition approach by applying the new standard to all leases existing on the date of initial application and not restating comparative periods. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

Following the closure of Sdot Yam plant, we evaluated our right of use asset resulted from non-cancelable lease agreement effective through 2032. Based on future estimated sublease we recorded an impairment of $16,6 million during 2023.

See Note 2 and Note 10 to our Consolidated Financial Statements for the year ended December 31, 2023 for further information regarding leases.

Allowance for credit loss

Our trade receivables are derived from sales to customers located mainly in the United States, Australia, Canada, Israel and Europe. We perform ongoing credit evaluations of our customers and to date have not experienced any substantial losses. In certain circumstances, we may require letters of credit or prepayments. We maintain an allowance for credit loss for estimated losses from the inability of our customers to make the required payments that we have determined to be doubtful of collection. We determine the adequacy of this allowance by regularly reviewing our accounts receivable and evaluating individual customers' receivables, considering customers' financial condition, credit history and other current economic conditions. If a customer's financial condition were to deteriorate, which might impact its ability to make payment, then additional allowances may be required. Provisions for credit loss are recorded in general and administrative expenses. Our allowance for credit loss was $12.2 million, $9.8 million and $9.0 million as of December 31, 2023, 2022 and 2021, respectively.

Inventory valuation

The majority of our inventory consists of finished goods and of raw materials. Inventories are valued at the lower of cost or net realizable value, with cost of finished goods determined on the basis of direct manufacturing costs plus allocable indirect costs representing allocable operating overhead expenses and manufacturing costs and cost of raw materials determined using the “standard cost” method which approximates actual cost on a weighted average basis. We assess the valuation of our inventory on a quarterly basis and periodically write down the value for different finished goods and raw material categories based on their quality classes and ageing. If we consider specific inventory to be obsolete, we write such inventory down to zero. Inventory provisions are provided to cover risks arising from slow-moving items, discontinued products, excess inventories, and net realizable value lower than cost. The process for evaluating these write-offs often requires us to make subjective judgments and estimates concerning prices at which such inventory will be able to be sold in the normal course of business. Accelerating the disposal process or incorrect estimates of future sales potential may cause actual results to differ from the estimates at the time such inventory is disposed of or sold. Inventory provision was $27.4 million, $21.7 million, and $16.8 million as of December 31, 2023, 2022 and 2021, respectively.

Goodwill and other long-lived assets

The purchase price of an acquired business is allocated between intangible assets and the net tangible assets of the acquired business with the residual of the purchase price recorded as goodwill. The determination of the value of the intangible assets acquired involves certain judgments and estimates. These judgments can include, but are not limited to, the cash flows that an asset is expected to generate in the future and the appropriate weighted average cost of capital.

We assess the impairment of goodwill of our reporting unit annually during the fourth quarter of each fiscal year, or more often if events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill is tested for impairment at the reporting unit level by first performing a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than is carrying value. If the reporting unit does not pass the qualitative assessment, then the reporting unit’s carrying value is compared to its fair value. We have only one reporting unit because all our components have similar economic characteristic, and we determine its fair value based on fair value methodologies include estimates of future cash flows, future short-term and long-term growth rates and weighted average cost of capital, see also Note 2l and 7 in our financial statements.

As of December 31, 2022, our goodwill and identifiable intangible assets totaled $0 million and $8.8 million, respectively. As of December 31, 2023, our goodwill and identifiable intangible assets totaled $0 million and $6.5 million, respectively. The decrease in intangible assets was mainly attributable to the amortization of intangibles assets related to the Lioli, Omicron and Magrab acquisitions.

We also evaluate the carrying value of all long-lived assets, such as property, plant and equipment and right of use assets, for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. We will record an impairment loss when the carrying value of the underlying asset group exceeds its estimated fair value. In determining whether long-lived assets are recoverable, our estimate of undiscounted future cash flows over the estimated life of an asset is based upon our experience, historical operations of the asset, an estimate of future asset profitability and economic conditions. The future estimates of asset profitability and economic conditions require estimating such factors as sales growth, inflation and the overall economics of the countertop industry. Our estimates are subject to variability as future results can be difficult to predict. If a long-lived asset is found to be non-recoverable, we record an impairment charge equal to the difference between the asset’s carrying value and fair value.

As of December 31, 2023 and December 31, 2022, the Company identified indicators for impairment, among others, slowdown in demand due to global market conditions, lower production utilization in certain plants, increased inflation and higher interest rates. Following these indicators and in accordance with ASC360, we recorded the following impairment expenses:

- During 2022, property plant and equipment expenses of $26.4 million related to Sdot Yam facility.
- During 2023, a property plant and equipment expenses of $27.5 million related to Richmond Hill facility and $1.0 million related to Sdot Yam facility, and right of use assets of $16.6 million related to Sdot Yam facility.

See also Note 6 and Note 7 to our financial statements included elsewhere in this report.

Fair value measurements

The performance of fair value measurements is an integral part of the preparation of financial statements in accordance with generally accepted accounting principles. Fair value is defined as the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants to sell or transfer such an asset or liability. Selection of the appropriate valuation techniques, as well as determination of assumptions, risks and estimates used by market participants in pricing the asset or liability requires significant judgment. Although we believe that the inputs used in our evaluation techniques are reasonable, a change in one or more of the inputs could result in an increase or decrease in the fair value for example, of certain assets and certain liabilities and could have an impact on both our consolidated balance sheets and consolidated statements of income.

Business Combination

We allocate the fair value of purchase consideration to the tangible assets acquired, liabilities assumed, and intangible assets acquired based on their estimated fair value. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Such valuations require our management to make significant estimates and assumptions, especially with respect to intangible assets. Significant estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from acquired operations and other intangible assets, their useful lives and discount rates. Our management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable, and, as a result, actual results may differ from estimates. During the measurement period, which is not to exceed one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

Accounting for contingencies

We are involved in various product liability, commercial, environmental claims and other legal proceedings that arise from time to time in the course of business. We record accruals for these types of contingencies to the extent that we conclude their occurrence is probable and that the related liabilities are estimable. When accruing these costs, we will recognize an accrual in the amount within a range of loss that is the best estimate within the range. When no amount within the range is a better estimate than any other amount, we accrue the minimum amount within the range. We record anticipated recoveries under the applicable insurance policies, in the amounts that are covered, and we believe their collectability is probable. Legal costs are expensed as incurred.

For unasserted claims or assessments, we followed the accounting guidance in ASC 450-20-50-6, 450-20-25-2 and 450-20-55-2 in which we must first determine that the probability that an assertion will be made is likely, then, a determination as to the likelihood of an unfavorable outcome and the ability to reasonably estimate the potential loss is made.

We review the adequacy of the accruals on a periodic basis and may determine to alter our reserves at any time in the future if we believe it would be appropriate to do so. As such, accruals are based on management's judgment as to the probability of losses and, where applicable, accruals may materially differ from settlements or other agreements made with regards to such contingencies.

See Note 11 to our financial statements included elsewhere in this annual report and "ITEM 8.A: Financial Information—Consolidated Financial Statements and Other Financial Information—Legal Proceedings" for further information regarding legal matters.

Income taxes

We account for income taxes in accordance with ASC 740, “Income Taxes”, which requires that deferred tax assets and liabilities be recognized using enacted tax rates for the effect of temporary differences between the financial reporting and tax basis of recorded assets and liabilities. ASC 740 also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all the deferred tax asset will not be realized. We have recorded a valuation allowance to reduce our subsidiaries’ deferred tax assets to the amount that we believe is more likely than not to be realized. Our assumptions regarding future realization may change due to future operating performance and other factors.

ASC 740 requires that companies recognize in their consolidated financial statements the impact of a tax position if that position is not more likely than not of being sustained on audit based on the technical merits of the position. ASC 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods and disclosure. We accrue interest and penalties related to unrecognized tax benefits in our tax expenses.

We establish reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. These reserves are established when we believe that certain positions might be challenged despite our belief that our tax return positions are in accordance with applicable tax laws. As part of the determination of our tax liability, management exercises considerable judgment in evaluating tax positions taken by us in determining the income tax provision and establishes reserves for tax contingencies in accordance with ASC 740 guidelines. We adjust these reserves in light of changing facts and circumstances, such as the closing of a tax audit, new tax legislation, or the change of an estimate based on new information. To the extent that the final tax outcome of these matters is different from the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made. The provision for income taxes includes the effect of reserve provisions and changes to reserves that are considered appropriate, as well as the related net interest and penalties.

We file income tax returns in Australia, Canada, Israel, Singapore, England, India, Sweden and the United States. The Israeli tax authorities audited our income tax returns for the fiscal years leading up to and including 2019 and we were examined by the IRS in the United States for our income tax return for the fiscal years leading up to and including 2018. We may be further subject to examination in the other countries in which we file tax returns and for any subsequent years. Management’s judgment is required in determining our provision for income taxes in each of the jurisdictions in which we operate. The provision for income tax is calculated based on our assumptions as to our entitlement to various benefits under the applicable tax laws in the jurisdictions in which we operate. The entitlement to such benefits depends upon our compliance with the terms and conditions set out in these laws. Although we believe that our estimates are reasonable and that we have considered future taxable income and ongoing prudent and feasible tax strategies in estimating our tax outcome, there is no assurance that the final tax outcome will not be different than those which are reflected in our historical income tax provisions and accruals. Such differences could have a material effect on our income tax provision, net income and cash balances in the period in which such a determination is made. See also note 12 to our financial statements included elsewhere in this report.

ITEM 6: Directors, Senior Management and Employees

A. Directors and Senior Management

Our directors and executive officers, their dates of birth and positions as of March 6, 2024, are as follows:

Name	Date of Birth	Position
Officers		
Yosef (Yos) Shiran	March 26, 1962	Chief Executive Officer
Nahum Trost	September 24, 1978	Chief Financial Officer
David Cullen	April 10, 1959	Managing Director, APAC
Ken Williams	April 4, 1961	Managing Director, North America
Edward Smith	May 14, 1973	Managing Director, UK
Idit Maayan Zohar	November 11, 1972	Chief Marketing Officer
Amihai Seider	November 29, 1967	Vice President, Global Operations
Erez Margalit	July 14, 1967	Vice President, Global Research and Development
Ron Mosberg	December 15, 1979	General Counsel and Corporate Secretary
Lilach Gilboa	April 8, 1972	Vice President, Global Human Resources
Gilad Frenkel	October 25, 1969	Managing Director, ROW
José Luis Ramón	February 2, 1975	VP of Global Porcelain
Directors		
Dr. Ariel Halperin(4)	March 18,1955	Chairman
Nurit Benjamini (1)(2)(3)(5)(6)	October 27, 1966	Director
Lily Ayalon(1)(2)(3)(5)(6)	June 17, 1965	Director
David Reis (5)	February 10, 1961	Director
Maxim Ohana	December 26, 1950	Director
Ronald Kaplan(3) (5)	August 15, 1951	Director
Ornit Raz (1)(2)(3)(5)	August 29, 1971	Director
Giora Wegman	December 14, 1951	Director
Tom Pardo Izhaki	June 3, 1983	Director

(1) Member of our audit committee.

(2) Member of our compensation committee.

(3) Member of our nominating committee.

(4) Member of our strategy committee.

(5) Independent under the Nasdaq rules.

(6) External director under the Israeli Companies Law.

Executive Officers

Yos Shiran has been serving as our Chief Executive Officer since March 2022. Mr. Shiran's previously held this position from January 2009 until August 2016. Mr. Shiran's serves as co-founder and chief executive officer of SENSEQ Ltd. from September 2016, founder and Chairman of Elight Ltd. and co-founder and chairman of the board of Inflow Ltd. from January 2021. Before his initial term as Chief Executive Officer of the Company, Mr. Shiran was the chief executive officer and director of Tefron Ltd. (NYSE: TFR) from January 2001 until August 2008, and prior thereto served as chief executive officer of Technoplast Industries Ltd. from February 1995 until December 2000. Mr. Shiran has a B.Sc. in industrial engineering from Ben-Gurion University, Israel, and an MBA from Bar-Ilan University, Israel.

Nahum Trost has been serving as our Chief Financial Officer since September 2021. Mr. Trost served as our Director of Finance, leading corporate finance since 2014. Mr. Trost possesses over 20 years of experience in various financial roles, including extensive experience in financing, capital and accounting, primarily at companies with an international focus. Prior to joining us in April 2014, Mr. Trost served in various positions at Lumenis Ltd. and his last role was Vice President of Corporate finance. Mr. Trost also served as a CPA with Ernst & Young. He holds a bachelor's degree in economics and accounting from the Haifa University, Israel, and a master's degree in business economics from the Israeli Technological Institute Technion.

David Cullen has been serving as our Managing Director, APAC, since May 2019. Previously, from April 2010 to May 2019, Mr. Cullen served as Chief Executive Officer for Caesarstone Australia. Prior to joining us, from January 2009 to March 2010, Mr. Cullen served as General Manager in Australia of Komatsu Ltd., a Japanese manufacturer of industrial and mining equipment. From January 2006 to November 2008, he served as Chief Executive Officer of Global Food Equipment Pty Ltd., an Australian importer and distributor of commercial food equipment. From 2004 to 2006, he served as Chief Executive Officer of White International Pty Ltd., an Australian supplier of industrial and residential pump products. From 2003 to 2004, Mr. Cullen served as Chief Executive Officer of Daisytek Australia Pty Ltd, a subsidiary of Daisytek International Corporation. From 1996 to 2002, he served as Chief Executive Officer of Tech Pacific Australia Pty Ltd., the largest distributor of IT equipment in the Asia-Pacific region. Mr. Cullen has held various other management positions in other companies since 1985. Mr. Cullen holds a Bachelor of Commerce degree from the University of New South Wales.

Ken Williams currently serves as our Americas – President and CEO. Previously, he has served as our President of North America from January 2019 to December 2021 and from March 2016 to January 2019, served as our President of Caesarstone Canada. Prior to joining us, from February 1999 to March 2016, Mr. Williams held various senior executive level leadership positions, including Executive Vice President of Sales and Marketing, in a number of Masco Corporation divisions, a global company involved in the design, manufacture and distribution of branded home improvement and building products. Previously, Mr. Williams held general management positions and leadership roles at Fortune Brands, the Rehill Company Ltd. and Thorne Stevenson Kellogg Management Consultants. Mr. Williams holds a Bachelor of Business Administration Degree from Trent University in Ontario, Canada.

Edward Smith has been serving as Managing Director, UK since September 2023 previously, from 1994 to 2023 he held various positions within Saint-Gobain, including: Programme Director Jewson (from January 2019 to March 2023); MD George Boyd (from January 2017 to December 2022); Business Development Director Jewson (from January 2015 to Dec 2018); Area Director (from January 2013 to December 2015). Mr. Smith holds a BSC Hons degree in Environmental Biology from Sunderland University.

Idit Maayan-Zohar has been serving as our Global Chief Marketing Officer since February 2022. Prior to that, from 2012, Ms. Maayan-Zohar held various managerial positions in our Global Marketing Department, serving most recently as the Director of Global Marketing & Customer Experience. Previously, from 2006 to 2012, Ms. Maayan-Zohar served as Advertising Manager at Bank Hapoalim, one of the leading banks in Israel and prior to that as an Advertising Manager at Bezeq, The Israeli telecommunications company. Ms. Maayan-Zohar holds a B.A. in Business Administration from the College of Management Academic Studies and an M.B.A in Communication and Political Science from Bar-Ilan University.

Amihai Seider has been serving as our Vice President, Global Production since March 2019. Prior to joining us, from August 2003, Mr. Seider held various managerial positions at Haifa Chemicals, Israel-based specialty fertilizer manufacturer including VP Operations from May 2012 and Plant Manager from September 2006 to May 2012. Previously, from 1994 to 2003, Mr. Seider held managerial roles at Electrochemical Industries (1952) Ltd., a manufacturer and distributer of chemical products including as Plant Manager from 2000 to 2003. Mr. Seider holds a B.Sc. in Chemical Engineering from Technion University, and an M.B.A. from Haifa University, Israel.

Erez Margalit has been serving as our Vice President Research and Development since August 2013 and joined us in December 2010 as our R&D Engineering Manager. Prior to joining us, from 2008 to October 2010, Mr. Margalit served as Director of Equipment, Reliability and Services of Fab1 and Fab2 of Tower Semiconductor Ltd., a manufacturer of microelectronic devices. From 2001 to 2008, Mr. Margalit served as Technical Manager for several departments in Tower Semiconductor Ltd. Mr. Margalit has specialized in designing, developing and implementing unique industry machinery for unique applications. Mr. Margalit holds a degree in Electronics (Practical Engineer) from Yezreel Valley College.

Ron Mosberg has served as our General Counsel & Corporate Secretary since September 2018. Prior to joining us, from 2015, Mr. Mosberg served as the General Counsel and Corporate Secretary at Enzymotec Ltd., an Israeli based global nutraceutical company. Previously, from 2007 to 2015, Mr. Mosberg worked as a lawyer at leading Israeli law firms. Mr. Mosberg holds an LL.B. in Law and Psychology from Tel Aviv University, Israel.

Lilach Gilboa has been serving as our Vice President, Human Resources since July 2023. This is her second tenure as our Vice President of Human Resources, as she previously held this position from January 2007 until December 2018. Prior to Ms. Gilboa's current appointment, starting in 2020, she held the role of Global VP of Human Resources at Watergen Ltd., a global technology company in the field of water-from-air solutions. Previously, from 2019, she served as the Global Head of HR at Hazera Seeds Ltd., a biotechnology company. Before her initial term as our VP HR, Ms. Gilboa also served as our Human Resources Manager from 2003 to 2006. Before joining us in 2003, she served as the Human Resources Manager at Comverse Technology, Inc. (from 2002) and ECI Telecom (from 1997). She holds a master's degree in organizational Sociology from Tel Aviv University, Israel, and a bachelor's degree in organizational Behavior Studies from The College of Management Academic Studies, Israel

Amir Cahana has been serving as Managing Director, Israel from February 2022. Previously, from 2019, he has served as sales Director of Israel market. Prior to joining the Company, from 2017 to 2018, Mr. Cahana served as Israel Manager at Como, a SaaS company providing a platform for loyalty solutions for retailors chains. From 2002 to 2016, Mr. Cahana served in several trade and sales managing positions at CBC Group LTD (Coca-Cola Israel) including Immediate Consumption Channel Manager and Modern Trade Channel Manager. Mr. Cahana holds a B.A in Economics and Management from the Academic College of Tel Aviv-Jaffa and MBA from the Open University in Israel.

Gilad Frenkel has been serving as our Managing Director ROW since February 2024. Prior to Joining us from September 2020 to August 2023, he served as Chief Commercial Officer at Metzerplas, an innovative leader in production and design of drip irrigation systems and infrastructure pipes. Previously, from 2011 to 2020 Mr. Frenkel served as EVP Global Sales & Marketing at Avgol, a global leader in the manufacture of high-performance nonwoven materials for the Hygiene market. From 1995 to 2011, Mr. Frenkel held various senior positions at Nilit, an international market leader in manufacturing and marketing of nylon 6.6 (polyamide) fibers and thermoplastics, including in sales, marketing, business development and operation. Mr. Frenkel hold a degree in Industrial Engineering & Management from the Technion – Israel Institute of Technology.

José Luis Ramón has been serving as our Vice President Business Development since January 2024. Prior to joining us, from March 2020 to June 2023, he served as Chief Executive Officer at Neolith Group, a global company driving the sintered stone surfaces market with presence in more than 100 countries. From January 2016 to March 2020, he served as Vice President and General Manager for Industrial Printing Division at Electronics for Imaging, Inc. (Nasdaq: EFII), a global leader in digital printing technologies operating worldwide in multiple industries and headquartered at Silicon Valley, California US. Mr. Ramón, served previously at Cosentino Group as Corporate Chief Operating Officer from January 2005 to March 2015 (previously on different roles from June 2002); Cosentino is a family-owned corporation that produces and distributes high-value surfaces for the world of architecture and design, with multiple brands and omnichannel approach. Mr. Ramón held other executive, strategic adviser, and board director positions in other companies as well as diverse materials industry associations since 1999. Mr. Ramón holds a B.Sc. in Industrial Engineering, Mechanics & Materials by Polytechnic University of Valencia in Spain and an Executive master's degree by IE Business School, Spain.

Directors

Dr. Ariel Halperin has been serving as our chairman of the board of directors since December 2016, after previously serving as our director between December 2006 to May 2013. Dr. Halperin is the senior managing partner of Tene Investment Funds, an Israeli private equity fund focusing on established growth companies with leading global market positions, since 2004 and is the founding partner in Tenram Investments Ltd. a private investment company engaged in domestic and foreign real estate investments since 2000. From 1992 to 2000, Dr. Halperin led negotiations related to the Kibbutzim Creditors Agreement, serving as trustee for the Israeli government, Israeli banks and the Kibbutzim. Dr. Halperin currently serves as a director of several Tene Investment Funds' portfolio companies, including Qnergy Inc., Gadot Chemical Terminals (1985) Ltd., Gadot Agro Ltd., Sharon-Laboratories Ltd., Questar Ltd. (formerly: Traffilog Ltd.) and Designated Holdings Ltd. (Haifa Group Ltd). Dr. Halperin holds a B.A. in Mathematics and Economics and a Ph.D. in Economics from The Hebrew University of Jerusalem in Israel and a Post-Doctorate in Economics from the Massachusetts Institute of Technology in Cambridge, Massachusetts.

Nurit Benjamini has been serving as our external director under the Companies Law since December 2020. Mrs. Benjamini is Chief Financial Officer of F2 Venture Capital, From December 2013 to November 2022, Ms. Benjamini served as the Chief Financial Officer of Crazy Labs Ltd., a top 5 mobile games developer and publisher. From 2011 to 2013, Ms. Benjamini served as the Chief Financial Officer of Wix.com (NASDAQ: WIX); from 2007 to 2011, she served as the Chief Financial Officer of CopperGate Communications Ltd., and from 2000 to 2007, she served as the Chief Financial Officer of Compugen Ltd. (NASDAQ: CGEN). Ms. Benjamini earned both a B.A. degree in economics and business and an M.B.A. in finance from Bar Ilan University, Israel.

Lily Ayalon has been serving as our external director under the Companies Law since December 2020. Ms. Ayalon currently is a business consultant and serves on the board of directors for several companies (Discount Investments Corporation Ltd, Hertz Properties Group Limited, Westdale America Limited, Shikun & Binui ltd (until the end of 3/23), Alpa Cosmetics, Jewelry, Accessories (until the end of 4/23), Meitav ltd, Haifaport ltd). From 2010 to 2015, Ms. Ayalon served as the Senior Deputy Director General of the Government Companies Authority; from 2006 to 2009, she served as the Deputy Chief Executive Officer, CFO, and CEO of a subsidiary of the New Hamashbir Group Ltd.; from 2004 to 2006, she served as the Chief Financial Officer of Amot Investments. Ms. Ayalon is a certified public accountant and earned both a B.A. degree in accounting and economics and an M.B.A in finance from the Hebrew University of Jerusalem, Israel.

David Reis has been serving as our director since October 2023. Additionally, he has been serving as a director of Stratasys Ltd. (Nasdaq: SSYS) since June 2013. During his tenure with Stratasys, he also served as vice chairman of the board of directors of Stratasys and as an executive director. Since 2017, Mr. Reis has served as Chairman at Enercon Technologies Ltd., Tuttnauer Ltd and Seed X Inc. (since 2020) and a director at Scodix Ltd (since 2021). Mr. Reis served as the Chief Executive Officer of Stratasys from March 2009 until June 30, 2016. Previously, he served as Chief Executive Officer and President of NUR Macroprinters Ltd. (NURMF.PK), a wide format printer manufacturer that was acquired by HP, from February 2006 to March 2008. Prior to joining NUR, Mr. Reis served as the Chief Executive Officer and President of ImageID, an automatic identification and data capture solution provider, and of Scitex Vision, a developer and manufacturer of wide-format printers. Mr. Reis holds a B.A. in Economics and Management from the Technion-Israel Institute of Technology and an M.B.A. from the University of Denver. Mr. Reis is also a graduate of the Harvard Business School Advanced Management Program.

Maxim Ohana has been serving as our director since October 2023. He has previously served as the Chairman of the Board from 2010 to 2013. Prior to that, Mr. Ohana served as chairman of the board of directors of the Economic Council, Kibbutz Sdot Yam from 2008 to 2012. From 2000 to 2008, Mr. Ohana served as Chief Executive Officer of Sdot-Yam Marble Floors Company (1995) Ltd. and from 1997 to 2000, he served as Chief Executive Officer of Hagor Industries Ltd. From 1993 to 1997, Mr. Ohana served as Chief Executive Officer of Cement Products Caesarea Ltd. and from 1990 to 1993, he served as Chief Executive Officer of Kibbutz Sdot Yam's businesses and operations. Mr. Ohana holds a diploma in general studies from the Kibbutzim College of Education, Technology and the Arts (Seminar Ha'Kibbutzim), Israel

Ronald Kaplan has been serving as our director since December 2015. Mr. Kaplan has served as chairman of the board of directors of Trex Company, Inc. (NYSE: TREX), a major manufacturer of wood-alternative decking, railings and other outdoor items made from recycled materials, since August 2015. From May 2010 to August 2015, Mr. Kaplan served as Chairman, President and Chief Executive Officer of Trex Company, Inc. From January 2008 to May 2010, Mr. Kaplan served as a director and President and Chief Executive Officer of Trex Company, Inc. From February 2006 through December 2007, Mr. Kaplan served as Chief Executive Officer of Continental Global Group, Inc., a manufacturer of bulk material handling systems. For 26 years prior to this, Mr. Kaplan was employed by Harsco Corporation (NYSE: HSC), an international industrial services and products company, at which he served in a number of capacities, including as senior vice president, operations, and, from 1994 through 2005, as President of Harsco Corporation's Gas Technologies Group, which manufactures containment and control equipment for the global gas industry. Mr. Kaplan received a B.A. in economics from Alfred University and a M.B.A. from the Wharton School of Business, University of Pennsylvania.

Dr. Ornit Raz has been serving as our director since October 2023. Prior to that, Dr. Raz served as the Chief Executive Officer of ELA Beverage Containers Collection Corporation Ltd., the Israeli national recycling corporation from 2020 to 2023. From 2016 to 2020, Dr. Raz served as the Chief Executive Officer of the Israel Institute for Occupational Safety and Hygiene (a national statutory corporation); from 2016 to 2018 she served as Chairman of the Board of Directors of the Israeli Consumer Council (Government Companies Authority) from 2013 to 2015, she served as the Chief Executive Officer of Food Industries Association- Manufactures Association of Israel, and from 2007 to 2013, she served as the Chief Executive Officer of Israel Bio-Organic Agriculture Association. Dr. Raz holds an MSc and PhD from the Technion, Israel Institute of Technology, Faculty of Industrial Engineering Management, specializing in Behavioral and Management Sciences, and a Post Doctorate from the Massachusetts Institute of Technology, Sloan School of Management in Cambridge, Massachusetts, USA.

Giora Wegman has been serving as our director since October 2023. Mr. Wegman has served as the Chairman of Kibbutz Sdot Yam's Economic Council since 2020; since 2010, Mr. Wegman has served as a director at Hatnuaa Emek Hefer Ltd. From 2010 to 2020, Mr. Wegman served as our Deputy Chief Executive Officer; from 2008 to 2010, he served as the Financial Manager of Kibbutz Sdot Yam and a member of the Board; from 1988 to 2006, Mr. Wegman held various positions with the Company, including Joint CEO, VP production and Production Manager, and before that he held various positions at Kibbutz Sdot Yam. Mr. Wegman holds a practical mechanical engineer degree from Ruppin College, Israel and a business administration degree from Tel Aviv University, Israel.

Tom Pardo Izhaki has been serving as the Chief Financial Officer of Kibbutz Sdot-Yam since 2017. From 2013 to 2017, Ms. Pardo Izhaki served as the Chief Financial Officer of the A.T. Group. From 2008 to 2013, she served as a supervisor of the department of assurance services at PWC Israel and, from 2002 to 2008, in a senior bookkeeping role at Sdot-Yam Marble & Tiles Ltd. Ms. Pardo Izhaki holds a B.A. in Economics and Accounting from Haifa University, and an M.A. in Accounting from Bar-Ilan University, Israel. Ms. Pardo Izhaki is qualified as a Certified Public Accountant in Israel.

B. Compensation of Officers and Directors

The aggregate compensation paid by us and our subsidiaries to our current executive officers, including stock-based compensation, for the year ended December 31, 2023, was $6.5 million. This amount includes $0.7 million set aside or accrued to provide pension, severance, retirement or similar benefits or expenses.

CEO Compensation

Pursuant to the employment agreement we entered into with our Chief Executive Officer, Yos Shiran, dated March 9, 2023, and which was approved by our shareholders on October 30, 2023, Mr. Shiran's terms of employment will be entitled to, among other things: (i) A monthly gross salary of NIS 214,000 (approximately $ 59,000) as well as customary social benefits and reimbursement of expenses; (ii) a signing bonus of up to NIS 1 million (approximately $260,000), of which NIS 500,000 was already paid, and NIS 500,000 of which will be paid on the first anniversary of his employment, at the discretion of the Board following an assessment of Mr. Shiran's performance; (iii) Up to $1,200,000 in an annual cash bonus for each fiscal year commencing 2024 based on quantitative performance goals. Mr. Shiran received an annual cash bonus of $600,000 for 2023, based on similar performance criteria.

Mr. Shiran was granted grant of options to purchase 1,000,000 ordinary shares of the Company, with an exercise price equal to $4.68, which was the closing price of our ordinary shares as traded on Nasdaq on the date of approval of the grant by our board of directors (the "Initial Grant"); upon the first anniversary of Mr. Shiran's employment date, he will be entitled to be granted additional 200,000 options to purchase ordinary shares, with an exercise price equal to the closing price of the ordinary shares of the Company on such date (the "Anniversary Grant"). Options granted under the Initial Grant and the Anniversary Grant (together, the "CEO Grants") shall be subject to the Company's 2020 Plan (as defined below) and in accordance with the following additional terms: the CEO Grants will vest over a period of four years, whereby 25% of the options will vest upon the first year of the grant, and subsequently 6.25% of the options will vest on a quarterly basis during the three years thereafter.

Accelerated Vesting: in the event that prior to the vesting of all options granted as part of the CEO Grant, an acquisition of the Company or an asset transfer of all or substantially all of the assets of the Company (collectively, "M&A Event") will occur, while Mr. Shiran is employed by the Company and holds the position of the Company's Chief Executive Officer, then immediately prior to, and contingent upon, the closing of such M&A Event, all of Mr. Shiran's unvested options will become fully vested and exercisable.

We and Mr. Shiran may each terminate the agreement (other than for cause) with ninety (90) days prior written notice (the "Notice Period"). Upon termination by us (not for cause), during the first 12 months of Mr. Shiran's employment, then the adjustment period shall be six months; if such termination or resignation occurs following the first twelve months then the adjustment period shall be nine months (the "Adjustment Period").

During both the Notice Period and Adjustment Period, Mr. Shiran's relationship with the Company will remain that of an employee-employer, and Mr. Shiran will remain entitled to all terms and benefits set forth above, including bonuses and equity grants.

Mr. Shiran's employment agreement includes additional customary provisions, such as non-competition, non-solicitation, confidentiality, intellectual property assignment, participation in Company insurance plans (including its education fund, or Keren Hishtalmut) and reimbursement of expenses, and 25 days of annual vacation days.

Directors Compensation

Each of our directors (other than the Chairman of the board of directors and Mr. Ronald Kaplan) is entitled to the payment of annual fee of NIS 120,000 (approximately $34,000) and payment of NIS 3,350 (approximately $950) per meeting for participating in meetings of the board and committees of the board. The annual fee shall not exceed the maximum annual fee of an expert external director set forth in the Companies Regulations (Rules regarding Compensation and Expenses of External Directors) 5760-2000 as adjusted by the Companies Regulations (Relief for Public Companies with Shares Listed for Trading on a Stock Market Outside of Israel), 5760-2000. The compensation awarded for participating in resolutions adopted without an actual convening (meaning, unanimous written resolutions) and for participating through media communication will be reduced as follows: (1) for resolutions that will be adopted without an actual convening, the participation compensation will be reduced to 50%; and (2) for participation through media communication, the participation compensation will be reduced to 60%.

Mr. Ronald Kaplan is entitled to an annual fee of $75,000 and a per-meeting fee of $2,500 for participation in meetings of the board and committees of the board. The participation fees of Mr. Kaplan for meetings held through media communication shall be reduced by 50% and for meetings by written consent shall be reduced to 25%.

Until November 2021, Dr. Ariel Halperin, our chairman of the board of directors, was entitled to an annual fee in the amount of NIS 750,000 (approximately $233,000), payable in equal quarterly installments. According to a management services agreement with Tene Growth Capital 3 Funds Management Company Ltd., (the management company of the general partner of Tene Investment in Projects 2016, L.P.) that we entered into on October 2021, Tene Investment in Projects 2016, L.P. provides us with the services of an Executive Chairman of the Board, by Dr. Ariel Halperin, and regular business development advice services for an aggregate annual management fee of NIS 750,000 plus VAT. The payment due pursuant to the Management Services Agreement replaced all other arrangements for payment to Dr. Ariel Halperin as Chairman of the board of directors during the term of the Management Services Agreement. For more information on these agreements, see "ITEM 7.B: Major Shareholders and Related Party Transactions—Related Party Transactions."

The participation compensation and the annual fee is inclusive of all expenses incurred by our directors in connection with their participation in a meeting held at our offices or at the director's residence area, or with regard to resolutions resolved by written consent or teleconference, provided that with respect to independent directors residing outside of Israel (other than chairman of the board and external directors), their travel and lodging expenses related to their participation and physical attendance at any board or board committee meeting will be borne by us. In addition, our directors are entitled to reimbursement for travelling expenses when traveling abroad on our behalf and other expenses incurred in the performance of their duties and services to us.

Directors' Equity Compensation

Following the approval of our general meeting held on October 30, 2023, each of our directors was awarded 3,750 options to purchase ordinary shares of the Company, with an exercise price of $4.02 per share (the closing price of our ordinary shares on Nasdaq as of the date of grant). Such options were granted under the 2020 Share Incentive Plan and will vest in three equal annual installments, subject to continuous service on our board of directors on the relevant vesting date.

Individual Covered Executive Compensation

The table below reflects the compensation granted to our five most highly compensated office holders (as defined in the Companies Law) during or with respect to the year ended December 31, 2023. We refer to the five individuals for whom disclosure is provided herein as our "Covered Executives." For purposes of the table below, "compensation" includes amounts accrued or paid in connection with salary cost, consultancy fees, bonuses, equity-based compensation, retirement or termination payments, benefits and perquisites such as car, phone and social benefits and any undertaking to provide such compensation. All amounts reported in the table are in terms of cost to the Company, as recognized in our financial statements for the year ended December 31, 2023. Each of the Covered Executives was covered by our D&O liability insurance policy and was entitled to indemnification and exculpation in accordance with applicable law and our articles of association.

Name and Principal Position (1)	Salary (2)	Bonus (3)	Equity-Based Compensation (4)	All other compensation (5)	Total
			(in U.S. dollars)		
Yos Shiran	781,776	600,000	368,247	5,100	1,755,123
Ken Williams	405,731	62,387	29,511	2,222	499,851
Nahum Trost	292,661	42,358	76,088	46,189	457,295
Erez Margalit	318,312	42,358	45,277	48,963	454,910
David Cullen	375,731	32,255	31,697	13,242	452,924

(1) All Covered Executives are employed by us on a full-time (100%) basis.

(2) Salary includes the Covered Executive's gross salary plus payment of social benefits made by us on behalf of such Covered Executive. Such benefits may include, to the extent applicable to the Covered Executive, payments, contributions and/or allocations for savings funds (such as managers' life insurance policy), education funds (referred to in Hebrew as "keren hishtalmut"), pension, severance, risk insurances (such as life, or work disability insurance), payments for social security and tax gross-up payments, vacation, medical insurance and benefits, convalescence or recreation pay and other benefits and perquisites consistent with our policies.

(3) Represents annual bonuses granted to the Covered Executive based on formulas set forth in the bonus plans and approvals set forth in the respective resolutions of our compensation committee and the board of directors.

(4) Represents the equity-based compensation expenses recorded in our consolidated financial statements for the year ended December 31, 2022, based on the option's and RSU's award's fair value, calculated in accordance with accounting guidance for equity-based compensation. For a discussion of the assumptions used in reaching this valuation, see Note 2w to our consolidated financial statements.

(5) Includes mainly leased car, mobile phone and other fringe benefit expenses.

Employment and consulting agreements with executive officers

We have entered into written employment or service agreements with each of our executive officers.

Employment agreements

We have entered into written employment or services agreements with each of our office holders who is not a director. These agreements each contain customary provisions regarding non-competition, confidentiality of information and assignment of inventions. The non-competition provision generally applies for a period of six months following termination of employment. The enforceability of covenants not to compete in Israel and the United States is subject to limitations. In addition, we are required to provide notice of between two and six months prior to terminating the employment of certain of our senior executive officers other than in the case of a termination for cause. The terms of engagement of our chief executive officer are described above.

Indemnification agreements

Our articles of association permit us to exculpate, indemnify and ensure our directors and office holders to the fullest extent permitted by law, subject to limited exceptions. We have entered into agreements with each of our current directors and office holders exculpating them from a breach of their duty of care to us to the fullest extent permitted by law, subject to limited exceptions, and undertaking to indemnify them to the fullest extent permitted by law. See “ITEM 6.C: Directors, Senior Management and Employees—Board Practices—Exculpation, insurance and indemnification of office holders.”

Directors' service contracts

There are no arrangements or understandings between us and any of our subsidiaries, on the one hand, and any of our directors, on the other hand, providing for benefits upon termination of their employment or service as directors of our Company or any of our subsidiaries.

Equity incentive plan

In November 2020, we adopted the 2020 Caesarstone Share Incentive Plan (the “**2020 Plan**”) that replaced our 2011 Incentive Compensation Plan (the “**2011 Plan**”). Awards previously issued under the 2011 Plan will continue to be governed by the terms of the 2011 Plan.

The maximum aggregate number of our shares available for issuance as awards under the 2020 Plan is (i) 2,500,000 authorized but unissued shares, plus (ii) up to 1,000,000 shares carried over from the 2011 Plan, and shares underlying outstanding awards granted pursuant to the 2011 Plan if expired, cancelled, terminated, forfeited or settled in cash in lieu of issuance of shares, which will be available for grant of awards pursuant to the 2020 Plan. However, except subject to certain adjustments, in no event will more than 3,500,000 shares be available for issuance pursuant to the exercise of incentive stock options. As of March 1, 2024, the number of ordinary shares allocated under the 2020 Plan was 2,102,985 ordinary shares. Considering the number of options and RSUs already granted, as of March 1, 2024, 1,297,015 ordinary shares remained available for future option or RSU grants under the 2020 Plan. As of March 1, 2024, the number of ordinary shares underlying outstanding equity awards allocated under the 2011 and 2020 equity incentive plans was 2,713,226 ordinary shares.

Under the 2020 Plan, we provide stock-based compensation to our directors, executive officers, employees and consultants, and those of our affiliates. The 2020 Plan is intended to further our success by increasing the ownership interest of certain of our and our subsidiaries employees, directors and consultants and to enhance our and our subsidiary's ability to attract and retain employees, directors and consultants. See also Note 13 to our financial statements included elsewhere in this report for additional information about grants of options and RSUs in recent years.

The 2020 Plan provides for granting awards under various tax regimes, including, without limitation, in compliance with Section 102 of the Israeli Income Tax Ordinance (New Version), 5721-1961 (the “**Ordinance**”), and Section 3(i) of the Ordinance and for awards granted to our United States employees or service providers, including those who are deemed to be residents of the United States for tax purposes, Section 422 of the Code and Section 409A of the Code.

Section 102 of the Ordinance allows employees, directors and officers who are not controlling shareholders and are considered Israeli residents to receive favorable tax treatment for compensation in the form of shares or options. Our non-employee service providers and controlling shareholders may only be granted options under section 3(i) of the Ordinance, which does not provide for similar tax benefits.

The 2020 Plan provides for the grant of stock options (including incentive stock options and nonqualified stock options), ordinary shares, restricted shares, restricted share units and other share-based awards.

Options granted under the 2020 Plan to our employees who are U.S. residents may qualify as “incentive stock options” within the meaning of Section 422 of the Code or may be non-qualified stock options.

In the event of termination of a grantee's employment or service with the company or any of its affiliates, all vested and exercisable awards held by such grantee as of the date of termination may be exercised within one hundred and twenty (120) days after such date of termination, unless otherwise determined by the administrator, but in any event no later than the date of expiration of the award's term. After the one hundred and twenty (120) day period, all unexercised awards will terminate, and the shares covered by such awards shall again be available for issuance under the 2020 Plan.

In the event of termination of a grantee's employment or service with the company or any of its affiliates due to such grantee's death, permanent disability or retirement, all vested and exercisable awards held by such grantee as of the date of termination may be exercised by the grantee or the grantee's legal guardian, estate, or by a person who acquired the right to exercise the award by bequest or inheritance, as applicable, within twelve months after such date of termination, unless otherwise provided by the administrator, but in any event no later than the date of expiration of the award's term. Any awards which are unvested as of the date of such termination or which are vested but not then exercised within the twelve-month period following such date, will terminate and the shares covered by such awards shall again be available for issuance under the 2020 Plan.

In the event of termination of a grantee's employment or service on due to such grantee's retirement, all exercisable awards held by such grantee as of the date of retirement may be exercised at any time within the three (3) month period after the date of such retirement, unless otherwise determined by the administrator.

Notwithstanding any of the foregoing, if a grantee's employment or services with the company or any of its affiliates is terminated for "cause" (as defined in the 2020 Plan), all outstanding awards held by such grantee (whether vested or unvested) will terminate on the date of such termination and the shares covered by such awards shall again be available for issuance under the 2020 Plan, unless otherwise determined by the administrator.

Grant of stock options to Chief Executive Officer

See "ITEM 6.B: Directors, Senior Management and Employees—Compensation—CEO Compensation."

C. Board Practices

Corporate governance practices

We are a "foreign private issuer", as such term is defined in Rule 405 under the Securities Act. As a foreign private issuer we will be permitted to comply with Israeli corporate governance practices instead of the certain listing rules of Nasdaq, provided that we disclose which requirements we are not following and the equivalent Israeli requirements.

We rely on this "foreign private issuer exemption" with respect to the quorum requirement for shareholder meetings and with respect to Nasdaq shareholder approval rules. Whereas under the corporate governance rules of Nasdaq, a quorum requires the presence, in person or by proxy, of holders of at least 33 1/3% of the total issued and outstanding voting power of our shares at each general meeting of shareholders, pursuant to our articles of association, and as permitted under the Companies Law, the quorum required for a general meeting of shareholders will consist of at least two shareholders present in person or by proxy in accordance with the Companies Law who hold or represent at least 33 1/3% of the total outstanding voting power of our shares, except if (i) any such general meeting of shareholders was initiated by and convened pursuant to a resolution adopted by the board of directors and (ii) at the time of such general meeting, we qualify as a "foreign private issuer," then in such case, the requisite quorum will consist of two or more shareholders present in person or by proxy who hold or represent at least 25% of the total outstanding voting power of our shares (and if the meeting is adjourned for a lack of quorum, the quorum for such adjourned meeting will be, subject to certain exceptions, any number of shareholders).
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We otherwise comply with Nasdaq corporate governance rules generally applicable to U.S. domestic companies listed on Nasdaq. We may in the future decide to use the foreign private issuer exemption with respect to some or all the other Nasdaq Global Select Market corporate governance rules. We also comply with Israeli corporate governance requirements under the Companies Law applicable to public companies.

Board of directors and officers

As of the date of this report, our board of directors consists of nine directors, five of whom are independent under the Nasdaq rules, including Ms. Nurit Benjamini and Ms. Lily Ayalon, who serve as our external directors and whose appointment fulfills the requirements of the Companies Law for the company to have two external directors (see "—External directors"). Specifically, our board of directors has determined that each of Nurit Benjamini, Lily Ayalon, Ronald Kaplan, Ornit Raz and David Ries meets the independence standards under the rules of Nasdaq. In reaching this conclusion, the board of directors determined, following the recommendation of our nominating committee, that none of these directors has a relationship that would preclude a finding of independence and any relationships that these directors have with us do not impair their independence.

Under our articles of association, the number of directors on our board of directors must be no less than seven and no more than 11 and must include at least two external directors. The minimum and maximum number of directors may be changed, at any time and from time to time, with the approval of at least 65% of the total voting power of our shareholders.

Each director holds office until the annual general meeting of our shareholders in the subsequent year unless the tenure of such director expires earlier pursuant to the Companies Law or unless he or she is removed from office as described below, except our external directors, who have a term of office of three years under Israeli law (see "—External directors—Election and dismissal of external directors").

The directors who are serving in office shall be entitled to act even if a vacancy occurs on the board of directors. However, should the number of directors, at the time in question, become less than the minimum set forth in our articles of association, the remaining director(s) would be entitled to act for the purpose of filling the vacancies or to convene a general meeting, but not for any other purpose.

Any director who retires from his or her office would be qualified to be re-elected subject to any limitation affecting such a director's appointment as a director under the Companies Law. See "—External directors" for a description of the provisions relating to the reelection of external directors.

A general meeting of our shareholders may remove a director from office prior to the expiry of his or her term in office ("**Removed Director**") by a simple majority vote (except for external directors, who may be dismissed only as set forth under the Companies Law), provided that the Removed Director is given a reasonable opportunity to state his or her case before the general meeting. If a director is removed from office as set forth above, the general meeting shall be entitled, in the same session, to elect another director in his or her stead in accordance with the maximum number of directors permitted by our articles of association as stated above. Should it fail to do so, the board of directors shall be entitled to do so. Any director who is appointed in this manner shall serve in office for the period remaining of the term in office of the director who was removed and shall be qualified to be re-elected.

Any amendment of our articles of association regarding the election of directors, as described above, requires a simple majority vote. See "—External directors" for a description of the procedure for the election of external directors.

In addition, under the Companies Law, our board of directors must determine the minimum number of directors who are required to have financial and accounting expertise. Under applicable regulations, a "director with financial and accounting expertise" is a director who, by reason of his or her education, professional experience and skill, has a high level of proficiency in and understanding of business accounting matters and financial statements so that he or she is able to fully understand our financial statements and initiate debate regarding the manner in which the financial information is presented. The determination of whether a director possesses financial and accounting expertise is made by the board of directors. In determining the number of directors required to have such expertise, the board of directors must consider, among other things, the type and size of the company and the scope and complexity of its operations. Our board of directors has determined that we require at least one director with the requisite financial and accounting expertise and that each of Ms. Nurit Benjamini and Ms. Lily Ayalon has such expertise.

There are no family relationships among any of our office holders (including directors).

Alternate directors

Our articles of association provide, subject to the limitations under the Companies Law, that any director may, by written notice to us, appoint another person who is qualified to serve as a director to serve as an alternate director. The appointment of an alternate director shall be subject to the consent of the board of directors. The alternate director will be regarded as a director. Under the Companies Law, a person who is not qualified to be appointed as a director, a person who is already serving as a director or a person who is already serving as an alternate director for another director, may not be appointed as an alternate director. Nevertheless, a director who is already serving as a director may be appointed as an alternate director for a member of a committee of the board of directors so long as he or she is not already serving as a member of such committee, and if the alternate director is to replace an external director, he or she is required to be an external director and to have either "financial and accounting expertise" or "professional expertise," depending on the qualifications of the external director he or she is replacing. A person who does not have the requisite "financial and accounting experience" or the "professional expertise," depending on the qualifications of the external director he or she is replacing, may not be appointed as an alternate director for an external director. A person who is not qualified to be appointed as an independent director, pursuant to the Companies Law, may not be appointed as an alternate director of an independent director.

External directors

Qualifications of external directors

Under the Companies Law, companies incorporated under the laws of the State of Israel that are "public companies," including companies with shares listed on the Nasdaq Global Select Market, are required to appoint at least two external directors who meet the qualification requirements under the Companies Law. Such external directors are not required to be Israeli residents in case the company is listed on a foreign stock exchange (such as us). The appointment of external directors is made by a special majority resolution of the general meeting of our shareholders. At a shareholders' meeting held on October 30, 2023, each of Ms. Nurit Benjamini and Ms. Lily Ayalon were elected to serve as external directors of the Company for another three-year term, commencing on December 1, 2023, and expiring on November 30, 2026.

A person may not be appointed as an external director if the person is a relative of a controlling shareholder or if on the date of the person's appointment or within the preceding two years the person or his or her relatives, partners, employers or anyone to whom that person is subordinate, whether directly or indirectly, or entities under the person's control have or had any affiliation with any of (each an "**Affiliated Party**"): (1) us; (2) any person or entity controlling us on the date of such appointment; (3) any relative of a controlling shareholder; or (4) any entity controlled, on the date of such appointment or within the preceding two years, by us or by our controlling shareholder. If there is no controlling shareholder or any shareholder holding 25% or more of voting rights in the company, a person may not serve as an external director if the person has any affiliation to the chairperson of the board of directors, the general manager (chief executive officer), any shareholder holding 5% or more of the company's shares or voting rights or the senior financial officer as of the date of the person's appointment.

The term "controlling shareholder" means a shareholder with the ability to direct the activities of the company, other than by virtue of being an office holder. A shareholder is presumed to have "control" of the company and thus to be a controlling shareholder of the company if the shareholder holds 50% or more of the "means of control" of the company. "Means of control" is defined as (1) the right to vote at a general meeting of a company or a corresponding body of another corporation; or (2) the right to appoint directors of the corporation or its general manager.

The term "affiliation" includes:

- an employment relationship;
- a business or professional relationship maintained on a regular basis;
- control; and
- service as an office holder, excluding service as a director in a private company prior to the first offering of its shares to the public if such director was appointed as a director of the private company in order to serve as an external director following the initial public offering.

The term "relative" is defined as a spouse, sibling, parent, grandparent, descendant, spouse's descendant, sibling and parent and the spouse of each of the foregoing.

The term "office holder" is defined as a general manager, chief business manager, deputy general manager, vice general manager, or any other person assuming the responsibilities of any of the foregoing positions, without regard to such person's title, and a director or manager directly subordinate to the general manager.

A person may not serve as an external director if that person or that person's relative, partner, employer, a person to whom such person is subordinate (directly or indirectly) or any entity under such person's control has a business or professional relationship with any entity that has an affiliation with any Affiliated Party, even if such relationship is intermittent (excluding insignificant relationships). Additionally, any person who has received compensation intermittently (excluding insignificant relationships) other than compensation permitted under the Companies Law may not continue to serve as an external director.

No person can serve as an external director if the person's position or other affairs create, or may create a conflict of interest with the person's responsibilities as a director or may otherwise interfere with the person's ability to serve as a director or if such a person is an employee of the Israel Securities Authority or of an Israeli stock exchange. If at the time an external director is appointed all current members of the board of directors, who are not controlling shareholders or relatives of controlling shareholders, are of the same gender, then the external director to be appointed must be of the other gender. In addition, a person who is a director of a company may not be elected as an external director of another company if, at that time, a director of the other company is acting as an external director of the first company.

The Companies Law provides that an external director must either meet certain professional qualifications or have financial and accounting expertise, and that at least one external director must have financial and accounting expertise. However, if at least one of our other directors (1) meets the independence requirements of the Exchange Act, (2) meets the Nasdaq requirements for membership on the audit committee and (3) has financial and accounting expertise as defined in the Companies Law and applicable regulations, then neither of our external directors is required to possess financial and accounting expertise as long as both possess other requisite professional qualifications as required under the Companies Law and regulations promulgated thereunder.

The regulations promulgated under the Companies Law define an external director with requisite professional qualifications as a director who satisfies one of the following requirements: (1) the director holds an academic degree in either economics, business administration, accounting, law or public administration, (2) the director either holds an academic degree in any other field or has completed another form of higher education in the company's primary field of business or in an area which is relevant to his or her office as an external director in the company, or (3) the director has at least five years of experience serving in any one of the following, or at least five years of cumulative experience serving in two or more of the following capacities: (a) a senior business management position in a company with a substantial scope of business, (b) a senior position in the company's primary field of business or (c) a senior position in public administration.

Our board of directors has determined that each of our external directors, Ms. Nurit Benjamini and Ms. Lily Ayalon, qualifies as an "audit committee financial expert," as defined by the rules of the SEC, and has the requisite financial experience required by the Nasdaq rules and the Companies Law.

Under the Companies Law, until the lapse of a two-year period from the date that an external director has ceased to act as an external director (and until the lapse of a one-year period, with respect to such external director spouse or children) certain prohibitions apply to the ability of the company and its controlling shareholders, including any corporations controlled by a controlling shareholder to grant such former external director or his or her spouse or children any benefits (directly or indirectly).

Election and dismissal of external directors

Under Israeli law, external directors are elected by a majority vote at a shareholders' meeting, provided that either:

- the majority of the shares that are voted at the meeting in favor of the election of the external director, excluding abstentions, include at least a majority of the votes of shareholders who are not controlling shareholders or have a personal interest in the appointment (excluding a personal interest that did not result from the shareholder's relationship with the controlling shareholder); or

- the total number of shares held by the shareholders mentioned in the paragraph above that are voted against the election of the external director does not exceed two percent of the aggregate voting rights in the company.

Under Israeli law, the term of office for external directors for Israeli companies traded on certain foreign stock exchanges, including the Nasdaq Global Select Market, such as the Company, may be extended, indefinitely, in increments of additional three-year terms, in each case provided that: (i) both the audit committee and the board of directors confirm that, in light of the expertise and contribution of the external director, the extension of such external director's term would be in the interest of the company; (ii) the appointment to the additional term is subject to the reelection provision described above; and (iii) the term during which the nominee served as an external director and the board of directors' and audit committee's reasoning for the extension of such term were presented before the general meeting of shareholders prior to the approval of the extension.

An external director may be removed by the same special majority of the shareholders required for his or her election, if he or she ceases to meet the statutory qualifications for appointment or if he or she violates his or her fiduciary duty to the company. An external director may also be removed by order of an Israeli court if the court finds that the external director is permanently unable to exercise his or her office, has ceased to meet the statutory qualifications for his or her appointment, has violated his or her fiduciary duty to the company, or has been convicted by a court outside Israel of certain offenses detailed in the Companies Law.

If the vacancy of an external directorship causes a company to have fewer than two external directors, the company's board of directors is required under the Companies Law to call a special general meeting of the company's shareholders as soon as possible to appoint such number of new external directors so that the company thereafter has two external directors.

Under the regulations pursuant to the Companies Law, a public company with securities listed on certain foreign exchanges, including the Nasdaq Global Select Market, that satisfies the applicable domestic country laws and regulations that apply to companies organized in that country relating to the appointment of independent directors and composition of audit and compensation committees and have no controlling shareholder may adopt an exemption from the requirement to appoint external directors or comply with the audit committee and compensation committee composition requirements under the Companies Law. We may adopt this exemption in the future if we no longer have a controlling shareholder.

Additional provisions

Under the Companies Law, each committee authorized to exercise any of the powers of the board of directors must include only directors and is required to include at least one external director and each of the audit and compensation committees are required to include all of the external directors.

An external director is entitled to compensation and reimbursement of expenses in accordance with regulations promulgated under the Companies Law and is prohibited from receiving any other compensation, directly or indirectly, in connection with serving as an external director except for certain exculpation, indemnification and insurance provided by the company, as specifically allowed by the Companies Law.

Audit committee

Our audit committee consists of Ms. Nurit Benjamini, Ms. Lily Ayalon and Ms. Ornit Raz. Ms. Nurit Benjamini serves as the chairperson of the audit committee.

Companies Law requirements

Under the Companies Law, the board of directors of any public company must appoint an audit committee comprised of at least three directors, including all the external directors. The audit committee may not include:

- the chairperson of the board of directors;
- a controlling shareholder or a relative of a controlling shareholder; and
- any director employed by, or providing services on an ongoing basis to, the company, a controlling shareholder of the company or an entity controlled by a controlling shareholder of the company or any director who derives most of his or her income from the controlling shareholder.

According to the Companies Law, the majority of the members of the audit committee, as well as the majority of members present at audit committee meetings, are required to be "independent" (as defined below) and the chairperson of the audit committee is required to be an external director. Any persons disqualified from serving as a member of the audit committee may not be present at the audit committee meetings, unless the chairperson of the audit committee has determined that such person is required to be present at the meeting or if such person qualifies under one of the exemptions of the Companies Law. Without derogating from the aforementioned, under the Companies Law, a company's general counsel and a company's secretary, which are not a controlling shareholder or relative thereof, may be present at an audit committee meeting if the committee has requested their presence.

The term "independent director" is defined under the Companies Law as an external director or a director who meets the following conditions and who is appointed or classified as such according to the Companies Law: (1) the conditions for his or her appointment as an external director (as described above) are satisfied and the audit committee approves the director having met such conditions and (2) he or she has not served as a director of the company for over nine consecutive years with any interruption of up to two years of his or her service not being deemed a disruption to the continuity of his or her service.

Under the regulations promulgated under the Companies Law, an audit committee of companies such as ours may deem a director which qualifies as an independent director, among others, under the Nasdaq listing rules, to be an independent director within the meaning of the Companies Law, provided that such director complies with the Companies Law requirements for external directors with respect to a lack of affiliation with a controlling shareholder, its relatives and entities under its control or his or her relative's control, excluding the company itself or any of its subsidiaries. In addition, companies such as ours may extend the term of office of an independent director who has served for more than nine years for additional periods of three years each if such director continues to comply with the Companies Law requirements for external director's lack of affiliation as described above.

Nasdaq requirements

Under the Nasdaq rules, we are required to maintain an audit committee consisting of at least three independent directors, all of whom are financially literate and one of whom has accounting or related financial management expertise.

All members of our audit committee meet the requirements for financial literacy under the applicable rules of the SEC and the Nasdaq rules. Our board of directors has determined that each of Ms. Nurit Benjamini and Ms. Lily Ayalon qualifies as an "audit committee financial expert," as defined by applicable rules of the SEC and has the requisite financial experience as defined by Nasdaq rules.

Each of the members of the audit committee is "independent" under relevant Nasdaq rules and as defined in Rule 10A-3(b)(1) under the Exchange Act, which is different from the general test for independence of members of the board.

Approval of transactions with related parties

The approval of the audit committee is required to affect specified actions and transactions with office holders and controlling shareholders and their relatives, or in which they have a personal interest. See "—Fiduciary duties and approval of specified related party transactions under Israeli law." For the purpose of approving transactions with controlling shareholders, the term "controlling shareholder" also includes any shareholder that holds 25% or more of the voting rights of the company if the company has no shareholder that owns more than 50% of its voting rights. For purposes of determining the holding percentage stated above, two or more shareholders who have a personal interest in a transaction that is brought for the company's approval are deemed as joint holders. The audit committee may not approve an action or a transaction with a controlling shareholder or with an office holder unless at the time of approval the audit committee meets the composition requirements under the Companies Law and provided such transaction is in the interest of the Company.

Audit committee role

Our board of directors has adopted an audit committee charter setting forth the responsibilities of the audit committee consistent with the rules of the SEC and Nasdaq rules, which include, among other responsibilities:

- retaining and terminating our independent auditors, subject to board of directors and shareholder ratification;
- pre-approval of audit and non-audit services to be provided by the independent auditors;
- reviewing with management and our independent directors our quarterly and annual financial reports prior to their submission to the SEC; and
- approval of certain transactions with office holders and controlling shareholders and other related-party transactions.

Additionally, under the Companies Law, the role of the audit committee includes the identification of irregularities in our business management, among other things, by consulting with the internal auditor or our independent auditors and suggesting an appropriate course of action to the board of directors. In addition, the audit committee or the board of directors, as set forth in the articles of association of the company, is required to approve the yearly or periodic work plan proposed by the internal auditor. The audit committee is required to assess the company's internal audit system and the performance of its internal auditor. The Companies Law also requires that the audit committee assess the scope of the work and compensation of the company's external auditor. In addition, the audit committee is required to determine whether certain related party actions and transactions are "material" or "extraordinary" for the purpose of the requisite approval procedures under the Companies Law, whether certain transactions with a controlling shareholder will be subject to a competitive procedure (regardless of whether or not such transactions are deemed extraordinary transactions) and to set forth the approval process for transactions that are "non-negligible" (meaning, transactions with a controlling shareholder that are classified by the audit committee as non-negligible, even though they are not deemed extraordinary transactions), as well as determining which types of transactions would require the approval of the audit committee, optionally based on criteria which may be determined annually in advance by the audit committee. The audit committee charter states that in fulfilling its role the committee is entitled to demand from us any document, file, report or any other information that is required for the fulfillment of its roles and duties and to interview any of our employees or any employees of our subsidiaries in order to receive more details about his or her line of work or other issues that are connected to the roles and duties of the audit committee.

Nominating Committee

We have a nominating committee comprised of four of our directors, Ms. Nurit Benjamini, Ms. Lily Ayalon, Ms. Ornit Raz and Mr. Ronald Kaplan, each of whom has been determined by our board of directors to be independent under the applicable Nasdaq rules. Ms. Lily Ayalon serves as the Chairperson of the Nominating Committee. Our board of directors has adopted a nominating committee charter setting forth the responsibilities of the committee which include, among other responsibilities:

- conduct of the appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates to serve as directors;

- review and recommend to the board any nominees for election as directors, including nominees recommended by shareholders, and consideration of the performance of incumbent directors whose terms are expiring in determining whether to nominate them to stand for re-election;

- review and recommend to the board regarding board member qualifications, board composition and structure, and recommend if necessary, measures to be taken so that the board reflects the appropriate balance of knowledge, experience, skills, expertise and diversity required for the board; and

- perform such other activities and functions as required by applicable law, stock exchange rules or provisions in our articles of association, or as are otherwise necessary and advisable, in its or the board's discretion, for the efficient discharge of its duties.

Compensation Committee

We have a compensation committee consisting of three of our directors, Ms. Nurit Benjamini, Ms. Lily Ayalon and Ms. Ornit Raz, each of whom has been determined by our board of directors to be independent under the applicable Nasdaq rules. Ms. Lily Ayalon serves as the Chairperson of the compensation committee. Our board has adopted a compensation committee charter setting forth the responsibilities of the committee which include, among other responsibilities:

- reviewing and recommending overall compensation policies with respect to our Chief Executive Officer and other office holders;

- reviewing and approving corporate goals and objectives relevant to the compensation of our Chief Executive Officer and other office holders including evaluating their performance in light of such goals and objectives and determining their compensation based on such evaluation;

- reviewing and approving the granting of options and other incentive awards; and

- reviewing, evaluating and making recommendations regarding the compensation and benefits for our non-employee directors.

The compensation committee is also authorized to retain and terminate compensation consultants, legal counsel or other advisors to the committee and to approve the engagement of any such consultant, counsel or advisor, to the extent it deems necessary or appropriate.

Pursuant to the Companies Law, Israeli public companies are required to appoint a compensation committee comprised of at least three directors, including all the external directors, who must also constitute a majority of its members. All other members of the compensation committee, who are not external directors, must be directors who receive compensation that is in compliance with regulations promulgated under the Companies Law. In addition, the chairperson of the compensation committee must be an external director. The Companies Law further stipulates that directors who are not qualified to serve on the audit committee, as described above, may not serve on the compensation committee either and that, similar to the audit committee, generally, any person who is not entitled to be a member of the compensation committee may not attend the compensation committee's meetings.

The responsibilities of the compensation committee under the Companies Law include: (i) making recommendations to the board of directors with respect to the approval of the compensation policy and any extensions thereto; (ii) periodically reviewing the implementation of the compensation policy and providing the board of directors with recommendations with respect to any amendments or updates thereto; (iii) reviewing and resolving whether or not to approve arrangements with respect to the terms of office and employment of office holders; and (iv) resolving whether or not to exempt a transaction with a candidate for chief executive officer from shareholder approval.

Compensation Policy under the Companies Law

In accordance with the Companies Law, we have adopted a compensation policy for our executive officers and directors. The purpose of the policy is to describe our overall compensation strategy for our executive officers and directors and to provide guidelines for setting their compensation, as prescribed by the Companies Law.

The compensation policy must be determined and later reevaluated according to certain factors, including: the advancement of the company's objectives, business plan and long-term strategy; the creation of appropriate incentives for office holders, while considering, among other things, the company's risk management policy; the size and the nature of the company's operations; and with respect to variable compensation, the contribution of the office holder towards the achievement of the company's long-term goals and the maximization of its profits, all with a long-term objective and according to the position of the office holder.

According to the Israeli Companies Law, the policy must be reviewed and readopted at least once every three years. The adoption of the compensation policy requires the approval of the compensation committee, the board of directors and our shareholders, in that order. The shareholders' approval must include the majority of shares voted at the meeting. In addition to the majority vote, the shareholder approval must satisfy either of two additional tests:

- the majority includes at least a majority of the shares voted by shareholders other than our controlling shareholders or shareholders who have a personal interest in the adoption of the compensation policies; or

- the total number of shares held by non-controlling shareholders and disinterested shareholders that voted against the adoption of the compensation policies, does not exceed 2% of the aggregate voting rights of our company.

In accordance with the Companies Law, our policy was last re-adopted in October 2023 by the compensation committee, the board of directors and our shareholders, and is filed as an exhibit to this annual report.

Compensation of Directors and Executive Officers

Directors. Under the Companies Law, the compensation of our directors requires the approval of our compensation committee, the subsequent approval of the board of directors and, unless exempted under the regulations promulgated under the Companies Law, the approval of the shareholders at a general meeting. If the compensation of our directors is inconsistent with our Compensation Policy, then shareholder approval will also be required, as follows:

- at least a majority of the shares held by all shareholders who are not controlling shareholders and do not have a personal interest in such matter, present and voting at such meeting, are voted in favor of the compensation package, excluding abstentions; or

- the total number of shares of non-controlling shareholders and shareholders who do not have a personal interest in such matter voting against the compensation package does not exceed 2% of the aggregate voting rights in the company.

Executive Officers other than the Chief Executive Officer. The Companies Law requires the compensation of a public company's executive officers (other than the chief executive officer) to be approved by, first, the compensation committee; second by the company's board of directors and third, if such compensation arrangement is inconsistent with the company's stated compensation policy, the company's shareholders (by a special majority vote as discussed above with respect to the approval of director compensation). However, if the shareholders of the company do not approve a compensation arrangement with an executive officer (other than the chief executive officer) that is inconsistent with the company's stated compensation policy, the compensation committee and board of directors may override the shareholders' decision if each of the compensation committee and the board of directors provide detailed reasons for their decision after reconsidering the compensation arrangement, while taking into consideration that the shareholders of the company did not approve the compensation arrangement.

Chief Executive Officer. The compensation of a public company's chief executive officer requires the approval of first, the company's compensation committee; second, the company's board of directors; and third, the company's shareholders (by a special majority vote as discussed above with respect to the approval of director compensation). However, if the shareholders of the company do not approve the compensation arrangement with the chief executive officer, the compensation committee and board of directors may override the shareholders' decision if each of the compensation committee and the board of directors provide a detailed report for their decision after reconsidering the compensation arrangement, while taking into consideration that the shareholders of the company did not approve the compensation arrangement.

The compensation committee and board of directors approval should be in accordance with the company's stated compensation policy; however, in special circumstances, they may approve compensation terms of a chief executive officer that are inconsistent with such policy provided that they have considered those provisions that must be included in the compensation policy according to the Companies Law and that shareholder approval was obtained (by a special majority vote as discussed above with respect to the approval of director compensation). The compensation committee may waive the shareholder approval requirement with regards to the approval of the engagement terms of a candidate for the chief executive officer position, if they determine that the compensation arrangement is consistent with the company's stated compensation policy, the chief executive officer did not have a business relationship with the company or a controlling shareholder of the company and that having the engagement transaction subject to a shareholder vote would impede the company's ability to employ the chief executive officer candidate.

Notwithstanding the above, the amendment of existing compensation terms of executive officers (including the chief executive officer and excluding officers who are also directors), requires only the approval of the compensation committee, provided that the committee determines that the amendment is not material in relation to the existing terms.

Internal auditor

Under the Companies Law, the board of directors of a public company must appoint an internal auditor based on the recommendation of the audit committee. The role of the internal auditor is, among other things, to examine whether a company's actions comply with applicable law and orderly business procedure. Under the Companies Law, the internal auditor may not be an interested party or an office holder or a relative of an interested party or of an office holder, nor may the internal auditor be the company's independent auditor or the representative of the same.

An "interested party" is defined in the Companies Law as (i) a holder of 5% or more of the issued share capital or voting power in a company, (ii) any person or entity who has the right to designate one or more directors or to designate the chief executive officer of the company, or (iii) any person who serves as a director or as a chief executive officer of the company. Our internal auditor is Mr. Ofer Orlitzky of Leon, Orlitzky and Co.

Fiduciary duties and approval of specified related party transactions under Israeli law

Fiduciary duties of office holders

The Companies Law imposes a duty of care and a duty of loyalty on all office holders of a company.

The duty of care requires an office holder to act with the degree of proficiency with which a reasonable office holder in the same position would have acted under the same circumstances. The duty of care includes, among other things, a duty to use reasonable means, in light of the circumstances, to obtain:

- information on the business advisability of a given action brought for his or her approval or performed by virtue of his or her position; and

- all other important information pertaining to such action.

The duty of loyalty incumbent on an office holder requires him or her to act in good faith and for the benefit of the company, and includes, among other things, the duty to:

- refrain from any act involving a conflict of interest between the performance of his or her duties in the company and his or her other duties or personal affairs;

- refrain from any activity that is competitive with the business of the company;

- refrain from exploiting any business opportunity of the company for the purpose of gaining a personal advantage for himself or herself or others; and

- disclose to the company any information or documents relating to the company's affairs which the office holder received as a result of his or her position as an office holder.

We may approve an act specified above which would otherwise constitute a breach of the office holder's duty of loyalty, provided that the office holder acted in good faith, the act or its approval does not harm the company, and the office holder discloses his or her personal interest, including any related material information or document, a sufficient time before the approval of such act. Any such approval is subject to the terms of the Companies Law, setting forth, among other things, the organs of the company entitled to provide such approval, and the methods of obtaining such approval.

Disclosure of personal interest of an office holder and approval of related party transactions

Companies Law requires that an office holder promptly disclose to the company any personal interest that he or she may have and all related material information or documents relating to any existing or proposed transaction by the company. An interested office holder's disclosure must be made promptly and, in any event, no later than the first meeting of the board of directors at which the transaction is considered. An office holder is not obliged to disclose such information if the personal interest of the office holder derives solely from the personal interest of his or her relative in a transaction that is not considered as an extraordinary transaction.

Under the Companies Law, once an office holder has complied with the above disclosure requirement, a company may approve a transaction between the company and the office holder or a third party in which the office holder has a personal interest, pursuant to the certain procedures as set forth in the Companies Law. However, a company may not approve a transaction or action that is not to the company's benefit.

Under the Companies Law, unless the articles of association of a company provide otherwise, a transaction with an office holder or with a third party in which the office holder has a personal interest, which is not an extraordinary transaction, requires the approval by the board of directors. Our articles of association provide that such a transaction, which is not an extraordinary transaction, shall be approved by the board of directors or a committee of the board of directors or any other entity (which has no personal interest in the transaction) authorized by the board of directors. If the transaction considered is an extraordinary transaction with an office holder or a third party in which the office holder has a personal interest, then audit committee approval is required prior to approval by the board of directors. For the approval of compensation arrangements with directors and executive officers, see "— Compensation of Directors and Executive Officers."

Any person who has a personal interest in the approval of a transaction that is brought before a meeting of the board of directors, or the audit committee may not be present at the meeting or vote on the matter. However, if the chairman of the board of directors or the chairman of the audit committee, as applicable, has determined that the presence of an office holder with a personal interest is required, such office holder may be present at the meeting for the purpose of presenting the matter. Notwithstanding the foregoing, a director who has a personal interest may be present at the meeting of the audit committee or the board of directors and vote on the matter if a majority of the directors or members of the audit committee, as applicable, have a personal interest in the approval of such transaction. If a majority of the directors at a board of directors meeting have a personal interest in the transaction, such transaction also requires approval of the shareholders of the company.

A "personal interest" is defined under the Companies Law as the personal interest of a person in an action or in a transaction of the company, including the personal interest of such person's relative or the interest of any other corporate body in which the person and/or such person's relative is a director or general manager, a holder of 5% or more of the issued and outstanding share capital of the company or its voting rights, or has the right to appoint at least one director or the general manager, but excluding a personal interest stemming solely from the fact of holding shares in the company. A personal interest also includes (1) a personal interest of a person who votes according to a proxy of another person, including in the event that the other person has no personal interest, and (2) a personal interest of a person who gave a proxy to another person to vote on his or her behalf regardless of whether the discretion of how to vote lies with the person voting or not.

An "extraordinary transaction" is defined under the Companies Law as any of the following:

- a transaction other than in the ordinary course of business;
- a transaction that is not on market terms; or
- a transaction that may have a material impact on the company's profitability, assets or liabilities.

Disclosure of personal interests of a controlling shareholder and approval of transactions

Companies Law also requires that a controlling shareholder promptly disclose to the company any personal interest that he or she may have and all related material information or documents relating to any existing or proposed transaction by the company. A controlling shareholder's disclosure must be made promptly and, in any event, no later than the first meeting of the board of directors at which the transaction is considered. See "—Audit committee—Approval of transactions with related parties" for the definition of a controlling shareholder. Extraordinary transactions with a controlling shareholder or in which a controlling shareholder has a personal interest, including a private placement in which a controlling shareholder has a personal interest, and the terms of engagement of the company, directly or indirectly, with a controlling shareholder or a controlling shareholder's relative (including through a corporation controlled by a controlling shareholder), regarding the company's receipt of services from the controlling shareholder, and if such controlling shareholder is also an office holder or an employee of the company, regarding his or her terms of service or employment, require the approval of each of (i) the audit committee or the compensation committee with respect to the terms of the engagement of the company, (ii) the board of directors and (iii) the shareholders, in that order. In addition, the shareholder approval must fulfill one of the following requirements:

- a majority of the shares held by shareholders who have no personal interest in the transaction and are voting at the meeting must be voted in favor of approving the transaction, excluding abstentions; or

- the shares voted by shareholders who have no personal interest in the transaction who vote against the transaction represent no more than 2% of the voting rights in the company.

In addition, any extraordinary transaction with a controlling shareholder or in which a controlling shareholder has a personal interest with a term of more than three years requires the approval described above, every three years; however, transactions not involving the receipt of services or compensation can be approved for a longer term, provided that the audit committee determines that such longer term is reasonable under the circumstances.

The Companies Law requires that every shareholder that participates, in person, by proxy or by voting instrument in a vote regarding a transaction with a controlling shareholder, must indicate in advance or in the ballot whether or not that shareholder has a personal interest in the vote in question. Failure to so indicate will result in the invalidation of that shareholder's vote.

Duties of shareholders

Under the Companies Law, a shareholder has a duty to refrain from abusing its power in the company and to act in good faith and in an acceptable manner in exercising its rights and performing its obligations to the company and to other shareholders, including, among other things, when voting at meetings of shareholders on the following matters:

- an amendment to the articles of association;

- an increase in the company's authorized share capital;

- a merger; and

- the approval of related party transactions and acts of office holders that require shareholder approval.

A shareholder also has a general duty to refrain from discriminating against other shareholders.

The remedies generally available upon a breach of contract will also apply to a breach of the shareholder duties mentioned above, and in the event of discrimination against other shareholders, additional remedies are available to the injured shareholder.

In addition, any controlling shareholder, any shareholder that knows that its vote can determine the outcome of a shareholder vote and any shareholder that, under a company's articles of association, has the power to appoint or prevent the appointment of an office holder, or any other power with respect to a company, is under a duty to act with fairness towards the company. The Companies Law does not describe the substance of this duty except to state that the remedies generally available upon a breach of contract will also apply in the event of a breach of the duty to act with fairness, taking the shareholder's position in the company into account.

Approval of private placements

Under the Companies Law and the regulations promulgated thereunder, a private placement of securities does not require approval at a general meeting of the shareholders of a company; provided however, that in special circumstances, such as a private placement completed in lieu of a special tender offer (see "ITEM 10.B: Additional Information—Memorandum and Articles of Association—Acquisitions under Israeli law") or a private placement which qualifies as a related party transaction (see "—Fiduciary duties and approval of specified related party transactions under Israeli law"), approval at a general meeting of the shareholders of a company is required.

Code of Conduct and Business Ethics

Our board of directors adopted a written Code of Business Conduct and Ethics setting forth our expectations regarding personal and corporate conduct for all of our directors, officers, employees and representatives. For more information, see "Item 16B. Code of Ethics."

Exculpation, insurance and indemnification of office holders

Under the Companies Law, a company may not exculpate an office holder from liability for a breach of the duty of loyalty. An Israeli company may exculpate an office holder in advance from liability to the company, in whole or in part, for damages caused to the company as a result of a breach of duty of care but only if a provision authorizing such exculpation is included in its articles of association. Our articles of association include such a provision. The company may not exculpate in advance a director from liability arising out of a prohibited dividend or distribution to shareholders.

Under the Companies Law and the Securities Law, 5728—1968 ("**Securities Law**"), a company may indemnify an office holder in respect of the following liabilities, payments and expenses incurred for acts performed by him as an office holder, either in advance of an event or following an event, provided its articles of association include a provision authorizing such indemnification:

- a monetary liability incurred by or imposed on him or her in favor of another person pursuant to a judgment, including a settlement or arbitrator's award approved by a court. However, if an undertaking to indemnify an office holder with respect to such liability is provided in advance, then such undertaking must be limited to certain events, which, in the opinion of the board of directors, can be foreseen based on the company's activities when the undertaking to indemnify is given, and to an amount or according to criteria determined by the board of directors as reasonable under the circumstances, and such undertaking shall detail the foreseen events described above and amount or criteria;

- reasonable litigation expenses, including reasonable attorneys' fees, incurred by the office holder as a result of an investigation or proceeding instituted against him or her by an authority authorized to conduct such investigation or proceeding, provided that (i) no indictment was filed against such office holder as a result of such investigation or proceeding; and (ii) no financial liability, was imposed upon him or her as a substitute for the criminal proceeding as a result of such investigation or proceeding or, if such financial liability was imposed, it was imposed with respect to an offense that does not require proof of criminal intent or in connection with a monetary sanction;

- a monetary liability imposed on him or her in favor of an injured party at an Administrative Procedure (as defined below) pursuant to Section 52(54)(a)(1)(a) of the Securities Law;

- expenses incurred by an office holder or certain compensation payments made to an injured party that were instituted against an office holder in connection with an Administrative Procedure under the Securities Law, including reasonable litigation expenses and reasonable attorneys' fees; and

- reasonable litigation expenses, including attorneys' fees, incurred by the office holder or imposed by a court in proceedings instituted against him or her by the company, on its behalf, or by a third party, or in connection with criminal proceedings in which the office holder was acquitted, or as a result of a conviction for an offense that does not require proof of criminal intent.

An “Administrative Procedure” is defined as a procedure pursuant to chapters H3 (Monetary Sanction by the Israeli Securities Authority), H4 (Administrative Enforcement Procedures of the Administrative Enforcement Committee) or I1 (Arrangement to prevent Procedures or Interruption of procedures subject to conditions) to the Securities Law.

Under the Companies Law and the Securities Law, a company may insure an office holder against the following liabilities incurred for acts performed by him or her as an office holder if and to the extent provided in the company’s articles of association:

- a breach of duty of loyalty to the company, provided that the office holder acted in good faith and had a reasonable basis to believe that the act would not harm the company;

- a breach of duty of care to the company or to a third party, to the extent such a breach arises out of the negligent conduct of the office holder;

- a monetary liability imposed on the office holder in favor of a third party;

- a monetary liability imposed on the office holder in favor of an injured party at an Administrative Procedure pursuant to Section 52(54)(a)(1)(a) of the Securities Law; and

- expenses incurred by an office holder in connection with an Administrative Procedure instituted against him or her, including reasonable litigation expenses and reasonable attorneys’ fees.

Under the Companies Law, a company may not indemnify, exculpate or insure an office holder against any of the following:

- a breach of a duty of loyalty, except for indemnification and insurance for a breach of the duty of loyalty to the company to the extent that the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company;

- a breach of duty of care committed intentionally or recklessly, excluding a breach arising out of the negligent conduct of the office holder;

- an act or omission committed with intent to derive illegal personal benefit; or

- a fine, monetary sanction or forfeit levied against the office holder.

Under the Companies Law, exculpation, indemnification and insurance of office holders must be approved by the compensation committee and the board of directors and, with respect to directors or controlling shareholders, their relatives and third parties in which such controlling shareholders have a personal interest, also by the shareholders.

Our articles of association permit us to exculpate, indemnify and ensure our office holders to the fullest extent permitted or to be permitted by law. Our office holders are currently covered by a directors and officers’ liability insurance policy. We have agreements with each of our current office holders exculpating them from a breach of their duty of care to us to the fullest extent permitted by law, subject to limited exceptions, and undertaking to indemnify them to the fullest extent permitted by law, subject to limited exceptions. This indemnification is limited to events determined as foreseeable by the board of directors based on our activities, and to an amount or according to criteria determined by the board of directors as reasonable under the circumstances. The maximum aggregate amount of indemnification that we may pay to our office holders based on such indemnification agreement is an amount equal to 25% of our shareholders’ equity on a consolidated basis, less a provision that was made for indemnification as stated, based on our most recent financial statements made publicly available before the date on which the indemnification payment was made. Such indemnification amounts are in addition to any insurance amounts. Each office holder who previously received an indemnification letter from us and agreed to receive this new letter of indemnification, gave his approval to the termination of all previous letters of indemnification that we have provided to him or her in the past, if any; however, in the opinion of the SEC, indemnification of office holders for liabilities arising under the Securities Act is against public policy and therefore unenforceable.

We previously entered into letters of indemnification with some former office holders that currently remain in effect, and pursuant to which we undertook to indemnify them with respect to certain liabilities and expenses then permitted under the Companies Law, which are similar to those described above. These letters of indemnification are limited to foreseeable events that were determined by the board of directors and indemnity payments are limited to a maximum amount of $2.0 million for one series of related events for each office holder.

D. Employees

As of December 31, 2023, we had 1,813 employees, of whom 457 were based in Israel, including 21 individuals who provide services to us through our manpower agreement ("**Manpower Agreement**") with Kibbutz Sdot-Yam, discussed below, and with whom we do not have employment relationships, 574 employees in the United States (including 123 employees in our Richmond Hill facility we announced on its closure on December 13, 2023), 123 employees in Australia, 127 in Canada, 445 in India, 58 in the United Kingdom, 24 in Asia and 5 in Sweden. The following table shows the breakdown of our global workforce by category of activity as of December 31 for the past three fiscal years:

	As of December 31,		
Department	**2023**	**2022**	**2021**
Manufacturing and operations	1,080	1,339	1,397
Research and development	19	17	24
Sales, marketing, service and support	533	557	651
Management and administration	181	198	200
Total	1,813	2,111	2,272

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The size of our global workforce decreased by 298 employees in 2023. Such decrease is due to company restructuring plan which includes the closure of Sdot Yam facility.

Israeli labor laws (applicable to our Israeli employees) govern the length of the workday, minimum wages for employees, procedures for hiring and dismissing employees, determination of severance pay, annual leave, sick days, advance notice of termination of employment, equal opportunity and anti-discrimination laws and other conditions of employment. Subject to certain exceptions, Israeli law generally requires severance pay upon the retirement, death or dismissal of an employee, and requires us and our employees to make payments to the NII, which is similar to the U.S. Social Security Administration. Our employees have pension plans in accordance with the applicable Israeli legal requirements.

None of our employees work under any collective bargaining agreements. Extension orders issued by the IMEI apply to us and affect matters such as cost of living adjustments to salaries, length of working hours and week, recuperation pay, travel expenses, and pension rights. We have never experienced labor-related work stoppages or strikes and, while there can be no assurance that we will not experience any, we believe that our relations with our employees are satisfactory.

E. Share Ownership

Beneficial Ownership of Executive Officers and Directors

The following table sets forth certain information regarding the beneficial ownership of our ordinary shares as of March 1, 2024, of each of our directors and executive officers.

Name of Beneficial Owner	Number of Shares Beneficially Held(1)	Percent of Class
Executive Officers		
Yos Shiran	*	*
Nahum Trost	*	*
David Cullen	*	*
Ken Williams	*	*
Edward Smith	*	*
Idit Maayan Zohar	*	*
Amir Cahana	*	*
Amihai Seider	*	*
Erez Margalit	*	*
Ron Mosberg	*	*
Lilach Gilboa	*	*
Gilad Frenkel	*	*
José Luis Ramón	*	*
Directors		
Dr. Ariel Halperin(2)	14,089,994	40.8
Nurit Benjamini	*	*
Lily Ayalon	*	*
David Reis	*	*
Maxim Ohana	*	*
Ronald Kaplan	*	*
Ornit Raz	*	*
Giora Wegman	*	*
Tom Pardo Izhaki	*	*
All current directors and executive officers as a group (22 persons)(2)		

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* Less than one percent of the outstanding ordinary shares.

(1) As used in this table, "beneficial ownership" means the sole or shared power to vote or direct the voting or to dispose or direct the disposition of any security. For purposes of this table, a person is deemed to be the beneficial owner of securities that can be acquired within 60 days from March 1, 2024, through the exercise of any option or warrant. Ordinary shares subject to options that are currently exercisable or exercisable within 60 days, or other awards that are convertible into our ordinary shares within 60 days, are deemed outstanding for computing the ownership percentage of the person holding such options or other agreements, but are not deemed outstanding for computing the ownership percentage of any other person. The percentages are based upon 34,536,236 ordinary shares outstanding as March 1, 2024.

All our shareholders, including the shareholders listed above, have the same voting rights attached to their ordinary shares. See "ITEM 10.B: Additional Information—Memorandum and Articles of Association—Voting."

Our directors and executive officers hold, in the aggregate, (i) 388,234 options immediately exercisable or exercisable within 60 days from March 1, 2024, with a weighted average exercise price of $13.1 per share and have expiration dates generally seven years after the grant date, (ii) 28,078 RSUs that vest within 60 days from March 1, 2024, and (iii) 8,600 ordinary shares.

(2) Consists of (i) 60,500 options to acquire our ordinary shares held directly by Dr. Halperin and (ii) 14,029,494 ordinary shares beneficially owned by Tene Investment in Projects 2016, L.P. ("**Tene**"). As further described in footnote (2) under "ITEM 7.A: Major Shareholders and Related Party Transactions—Major Shareholders," Each of Dr. Halperin, Tene Growth Capital III (G.P.) Company Ltd. ("**Tene III**"), and Tene Growth Capital 3 (Fund 3 G.P.) Projects, L.P ("**Tene III Projects**") may be deemed to share voting power over the 14,029,494 ordinary shares and dispositive power over the 5,589,494 ordinary shares, in each case, beneficially owned by Tene. See "ITEM 7.A: Major Shareholders and Related Party Transactions—Major Shareholders."

ITEM 7: Major Shareholders and Related Party Transactions

A. Major Shareholders

The following table sets forth certain information regarding the beneficial ownership of our outstanding ordinary shares as of the date indicated below, by each person who we know beneficially owns 5.0% or more of the outstanding ordinary shares. For information on the beneficial ownership of each of our directors and executive officers individually and as a group, see "ITEM 6.E: Directors, Senior Management and Employees—Share Ownership."

Beneficial ownership of ordinary shares is determined in accordance with the rules of the SEC and generally includes any ordinary shares over which a person exercises sole or shared voting or investment power, or the right to receive the economic benefit of ownership. For purposes of the table below, we deem shares subject to options or other agreements that are currently exercisable or exercisable within 60 days of March 1, 2024, to be outstanding and to be beneficially owned by the person holding the options for the purposes of computing the percentage ownership of that person but we do not treat them as outstanding for the purpose of computing the percentage ownership of any other person. The amounts and percentages are based upon 34,536,236 ordinary shares outstanding as of March 1, 2024.

All our shareholders, including the shareholders listed below, have the same voting rights attached to their ordinary shares. See "ITEM 10.B: Additional Information—Memorandum and Articles of Association—Voting."

A description of any material relationship that our principal shareholders have had with us or any of our predecessors or affiliates within the past three years is included below under "—Related Party Transactions."

Name of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Held
Mifalei Sdot-Yam Agricultural Cooperative Society Ltd. (1)(3)	14,029,494	40.6%
Tene Investment in Projects 2016, L.P.(2)(3)	14,029,494	40.6%
The Phoenix Holdings Ltd. (4)	3,928,671	11.4%
Global Alpha Capital Management Ltd. (5)	2,981,057	8.6%

(1) Based on a Schedule 13D/A filed on September 19, 2023 by Mifalei Sdot-Yam Agricultural Cooperative Society Ltd. ("**Mifalei Sdot-Yam**"). Mifalei Sdot-Yam is controlled by Sdot-Yam Business, Holding and Management – Agricultural Cooperative Society Ltd., which is in turn controlled by Kibbutz Sdot-Yam. Mifalei Sdot-Yam holds shared voting power, over 14,029,494 ordinary shares and sole dispositive power over 10,440,000 ordinary shares. No individual member of Mifalei Sdot-Yam has dispositive power or casting vote over the ordinary shares. The Economic Council elected by the members of Kibbutz Sdot-Yam manages the economic activities and strategy of Kibbutz Sdot-Yam. The Economic Council takes its decisions by majority vote and currently has eleven members, including Shai Bober and Tom Pardo, which are directors on our board. The address of Kibbutz Sdot-Yam is MP Menashe 3780400, Israel. Our board of directors operates independently from the Economic Council.

Kibbutz Sdot-Yam is a communal society, referred to in Hebrew as a "kibbutz" (plural "**kibbutzim**") with approximately 460 members and an additional 350 residents located in Israel on the Mediterranean coast between Tel Aviv and Haifa. Established in 1940, Kibbutz Sdot-Yam is a largely self-governed community of members who share certain social ideals and professional interests on a communal basis. Initially, the social idea behind the formation of the kibbutzim in Israel was to create a communal society in which all members share equally in all the society's resources and which provides for the needs of the community. Over the years, the structure of the kibbutzim has evolved, and today there are a number of different economic and social arrangements adopted by various kibbutzim.

Today, each member of Kibbutz Sdot-Yam continues to own an equal part of the assets of the Kibbutz. The members of Kibbutz Sdot-Yam are engaged in a number of economic activities, including agriculture, industrial operations and outdoor venue operations. A number of Kibbutz members are engaged in professions outside the Kibbutz. The Kibbutz is the owner and operator of several private companies. The Kibbutz community holds in common all land, buildings and production assets of these companies.

Some of the members of Kibbutz Sdot-Yam work in one of the production activities of Kibbutz Sdot-Yam, according to the requirements of Kibbutz Sdot-Yam and the career objectives of the individual concerned. Other members work outside of Kibbutz Sdot-Yam in businesses owned by other entities. Each member receives income based on the position the member holds and his or her economic contribution to the community, as well as on the size and composition of his or her family. Each member's income depends on the income of Kibbutz Sdot-Yam from its economic activities. Each member has a personal pension fund that is funded by Kibbutz Sdot-Yam, and all accommodation, educational, health and old age care services, as well as social and municipal services, are provided either by or through Kibbutz Sdot-Yam and are subsidized by Kibbutz Sdot-Yam.

The elected Economic Council is the key economic decision-making body of Kibbutz Sdot-Yam. Kibbutz Sdot-Yam also has a General Secretary (chairman) and other senior officers, all of whom are elected by the members of Kibbutz Sdot-Yam at its General Meeting for terms of seven years. A meeting of the members of the Kibbutz may remove a member of the Economic Council by simple majority vote.

As of December 31, 2023, 21 of our employees, or 0.01% of our total workforce, were also members of Kibbutz Sdot-Yam.

(2) Based on a Schedule 13D/A filed on September 19, 2023 and on information provided to the Company by the beneficial owner, Tene Investment in Projects 2016, L.P. ("**Tene"**) has shared voting power over 14,029,494 ordinary shares and shared dispositive 3,589,494 ordinary shares, which it directly owns. Pursuant to the Shareholders' Agreement as amended by the September Amendment (as defined below), Tene also shares voting power over 10,440,000 Ordinary Shares beneficially owned by Mifalei Sdot-Yam. Dr. Ariel Halperin is the sole director of Tene Growth Capital III (G.P.) Company Ltd. ("**Tene III**"), which is the general partner of Tene Growth Capital 3 (Fund 3 G.P.) Projects, L.P ("**Tene III Projects**"), which is the general partner of Tene. Dr. Halperin is also a member of our board of directors. Each of Dr. Halperin, Tene III and Tene III Projects may thus be deemed to share voting power over the 14,029,494 ordinary shares and dispositive power over the 3,589,494 ordinary shares, in each case, beneficially owned by Tene.

(3) On October 13, 2016, based on approval from the Israeli Antitrust Commission, Mifalei Sdot-Yam and Tene entered into the shareholders' agreement ("**Shareholders' Agreement**"), memorialized in a term sheet (the "**Term Sheet**") signed by Mifalei Sdot-Yam and Tene on September 5, 2016, and further amended on February 20, 2018 and September 18, 2023. The amendment executed on September 18, 2023 (the "**September Amendment**") replaced the Shareholders Agreement in its entirety. Pursuant to the September Amendment:

- The parties agreed to vote at general meetings of our shareholders in the same manner, following discussions intended to reach an agreement on any matters proposed to be voted upon, with Mifalei Sdot-Yam determining the manner in which both parties will vote if no agreement is reached, except with respect to certain carved-out matters, with respect to which Tene, for so long as it holds more than 3% of the issued and outstanding share capital of the Company, will determine the manner in which both parties will vote if no agreement is reached. In addition, each of Mifalei Sdot-Yam and Tene shall be entitled to vote separately in any manner with respect to the appointment, replacement or terms of compensation of the Company's Chief Executive Officer.

- In the event Tene holds less than 3% of the issued and outstanding share capital of the Company, then the director nominated by Tene will be replaced by an alternate director (in accordance with applicable law and the articles of association) nominated by Mifalei Sdot-Yam from a list of nominees that was agreed by the parties at the time the Amendment was signed for a period ending on the earlier of (i) 60 days (after which time the director may resign) and (ii) the date of a general meeting for the election of directors, and thereafter Tene will vote all its shares for the election of four directors nominated by Mifalei Sdot-Yam.

- The parties agree that Dr. Ariel Halperin will serve as the chairperson of the Board until June 30, 2024, and thereafter act to appoint Mr. David Reis as the new chairperson of the board of directors.

- The parties agree that Dr. Ariel Halperin will serve as the chairperson of the Board until June 30, 2024, and thereafter act to appoint Mr. David Reis as the new chairperson of the Board.

- Tene granted Mifalei Sdot-Yam a right of first refusal and Mifalei Sdot-Yam granted Tene certain tag-along rights with respect to their disposition of ordinary shares. If Tene sells more than 3% of the issued and outstanding share capital of the Company without providing Mifalei Sdot-Yam its right of first offer then certain rights contemplated under the September Amendment will terminate, including Tene's tag-along right.

- The call option granted by Mifalei Sdot-Yam pursuant to the Term Sheet was not extended and expired on September 9, 2023. The call option contemplated an option to exercise 2,000,000 ordinary shares of the Company.

(4) Based on Schedule 13G/A filed with the SEC on February 26, 2024, by The Phoenix Holdings Ltd., as of December 31, 2023, The Phoenix Holdings Ltd. held shared voting and dispositive power over 3,928,671 ordinary shares. These ordinary shares are beneficially owned by various direct or indirect, majority or wholly owned subsidiaries of The Phoenix Holding Ltd. (the "**Subsidiaries**"). The Subsidiaries manage their own funds and/or the funds of others, including for holders of exchange-traded notes or various insurance policies, members of pension or provident funds, unit holders of mutual funds, and portfolio management clients. Each of the Subsidiaries operates under independent management and makes its own independent voting and investment decisions. The address of The Phoenix Holding Ltd. is Derech Hashalom 53, Givataim, 53454, Israel.

(5) Based on Schedule 13G/A filed with the SEC on February 8, 2024 by Global Alpha Capital Management Ltd., as of December 31, 2023, Global Alpha Capital Management Ltd held sole voting power over 2,154,231 ordinary shares, and sole dispositive power over 2,981,057 ordinary shares. The address of the Global Alpha Capital Management Ltd. is 1800 McGill College, Suite 1300, Montreal, Quebec, H3A 3J6, Canada.

Changes in Ownership

Prior to our IPO in March 2012, Kibbutz Sdot-Yam owned 18,715,000, or 70.1% of our ordinary shares. Immediately after the IPO, due to our issuance of ordinary shares, the Kibbutz's ownership in our ordinary shares decreased to 56.1%. As a result of two subsequent public offerings of ordinary shares completed in 2013 and 2014, the Kibbutz sold 6,325,000 of the 17,765,000 ordinary shares it owned, decreasing its ownership percentage to 32.8% immediately after those offerings. Pursuant to the Shareholders' Agreement, effective October 13, 2016, the Kibbutz sold to Tene 1,000,000 of its 11,440,000 ordinary shares and granted to Tene the Call Option to purchase 2,000,000 ordinary shares, which expired on September 9, 2023 in accordance with the September Amendment. During 2018, Tene purchased an additional 2,589,494 ordinary shares in the open market. The parties also agreed to vote at general meetings of our shareholders together, such that they share voting power over 14,029,424 ordinary shares. As a result, as of March 1, 2024, the Kibbutz and Tene beneficially owned 40.6% of our ordinary shares.

Beneficial ownership by holders of more than 5% of our ordinary shares is shown in the table above.

Registered Holders

Based on a review of the information provided to us by our transfer agent, as of March 1, 2024, there were three registered holders of our ordinary shares, one of which (Cede & Co., the nominee of the Depositary Trust Company) is a United States registered holder, holding approximately 59.3% of our outstanding ordinary shares.

B. Related Party Transactions

Related Party Transactions Policy

Our audit committee adopted and annually reapproves a policy, which lays out the procedures for approving transactions with our controlling shareholders, currently Kibbutz Sdot-Yam and Tene, and certain of our office holders and other related persons. Pursuant to this policy, as required by the Companies Law, for each transaction with our controlling shareholder or transactions in which our controlling shareholder has a personal interest as well as transactions with our office holders or transactions in which our office holders have a personal interest, our audit committee is required to determine whether such transaction is an extraordinary transaction and, with respect to controlling shareholder transactions only, whether it is a negligible transaction. Subject to our audit committee's determination, negligible transactions and non-extraordinary transactions are subject to a competitive procedure comprised of obtaining two third-party quotes for such transaction and additional requirements as required by the Companies Law. An extraordinary transaction, which is not negligible, is subject, generally, to a tender in addition to the approvals required by the Companies Law. In addition, this policy determines certain transactions with our controlling shareholder as negligible and non-extraordinary transactions which are ongoing transactions but are required to be approved retroactively on an annual basis. Pursuant to this policy, we have, and may in the future, engage in transactions with our controlling shareholder and officeholders including with respect to services consumed by us for our operational needs as well as contribute donations to associations in which our controlling shareholder or shareholders has or have a personal interest.

The following is a description of our related party transactions as defined under Item 7.B of Form 20-F, since January 1, 2021.

Relationship and agreements with Kibbutz Sdot-Yam

We have entered into certain agreements with Kibbutz Sdot-Yam pursuant to which Kibbutz Sdot-Yam provides us with, among other things, a portion of our labor force, electricity, maintenance, and other services.

Pursuant to certain of these agreements, in consideration for using facilities licensed to us or for services provided by Kibbutz Sdot-Yam, we paid the Kibbutz an aggregate of $10.2 million in 2023, $11.3 million in 2022, $11.0 million in 2021 (excluding VAT), as set forth in more detail below. We believe that these services are rendered to us in the ordinary course of our business and that they represent terms no less favorable than those that would have been obtained from an unaffiliated third party. Nevertheless, a determination with respect to such matters requires subjective judgments regarding valuations, and regulators and other third parties may question whether our agreements with Kibbutz Sdot-Yam are no less favorable to us than if they had been negotiated with unaffiliated third parties.

Under the Companies Law, we are required to approve every three years any extraordinary transaction in which a controlling shareholder has a personal interest and that has a term of more than three years, unless the company's audit committee, constituted in accordance with the Companies Law, determines, solely with respect to agreements that do not involve compensation to a controlling shareholder or his or her relatives, in connection with services rendered by any of them to the company or their employment with the company, that a longer term is reasonable under the circumstances, or another exemption applies under Israeli law. Our audit committee has determined that the term of all the agreements entered into between us and Kibbutz Sdot-Yam are reasonable under the relevant circumstances, including our Manpower Agreement entered into between Kibbutz Sdot-Yam and us on January 1, 2011, as amended on July 30, 2015 and November 27, 2018 and extended on August 31, 2021 (except, as it relates to office holders which portion terminated in November 2021), and the Services Agreement entered into between Kibbutz Sdot-Yam and us on July 20, 2011, as amended on February 13, 2012, July 30, 2015, November 27, 2018 and October 14, 2021.

Land use agreement

Land leased to Kibbutz Sdot-Yam by the ILA and the Caesarea Development Corporation

Our headquarters and research and development facilities are located on the grounds at Kibbutz Sdot-Yam and include 30,744 square meters of facility and 60,870 square meters of un-covered yard. The headquarters and facilities are located on lands title to which is held by the ILA, and which are leased or subleased to Kibbutz Sdot-Yam pursuant to the following agreements: (i) a 49-year lease from the ILA signed in July 1978 that commenced in 1962 and expired in 2011 and has been extended pursuant to an option in the agreement for an additional 49 years, and (ii) a new agreement entered into in April 2014 between Kibbutz Sdot-Yam and the Caesarea Development Corporation pursuant to which Kibbutz Sdot-Yam leases the relevant premises (including such premises which are leased by the Kibbutz to us) from the Caesarea Development Corporation until year 2037. The ILA may terminate its leases with Kibbutz Sdot-Yam in certain circumstances, including if Kibbutz Sdot-Yam breaches its agreements therewith, commences proceedings to disband or liquidate or in the event that Kibbutz Sdot-Yam ceases to be a "kibbutz" as defined in the lease (meaning, a registered cooperative society classified as a kibbutz). The ILA may, from time to time, change its regulations governing the lease agreements, and these changes could affect the terms of the land use agreement, as amended, including the provisions governing its termination.

Kibbutz Sdot-Yam currently permits us to use the land and facilities pursuant to a land use agreement which became effective in March 2012 and expires 20 years thereafter. Under the land use agreement, Kibbutz Sdot-Yam agreed to permit us to use approximately 100,000 square meters of land leased to the Kibbutz, consisting both of facilities and unbuilt areas, in consideration for an annual fee of NIS12.9 million ($4.0 million in 2013 and thereafter, plus VAT, and beginning in 2013, adjusted every six months based on any increase of the Israeli consumer price index compared to the index as of January 2011. The annual fee may be adjusted if the Kibbutz is required to pay significantly higher lease fees to the ILA or Caesarea Development Corporation, and every three years thereafter if Kibbutz Sdot-Yam chooses to obtain an appraisal. The appraiser will be mutually agreed upon or, in the absence of agreement, will be chosen by Kibbutz Sdot-Yam out of the list of appraisers recommended at that time by Bank Leumi Le-Israel B.M. ("**Bank Leumi**"). Every addition or deletion of space is accounted for based on the original rates mentioned above.

In addition, in the land use agreement, we have waived any claims for payment of NIS 18.0 million ($4.6 million) from Kibbutz Sdot-Yam with respect to prior investments in infrastructure on Kibbutz Sdot-Yam's lands used by us under the prior land use agreement.

During 2021, following a request by the Kibbutz, in accordance with its rights under the land lease agreements for Sdot-Yam and Bar-Lev facilities the terms of the land lease agreement, a market assessment of an appointed independent appraiser was obtained and following such appraisal process, we are required to pay an amount of NIS 18.6 million (US$ 6.0 million) and NIS 8.1 million (US$ 2.6 million) annually for each of the Sdot-Yam and the Bar-Lev facilities, respectively.

Under the land use agreement, we are not permitted to decrease or return any portion of the land under the agreement to Kibbutz Sdot-Yam. Kibbutz Sdot-Yam has the right to accept or reject any such written request at its sole discretion. However, if the Kibbutz refuses or does not respond to the request within a three-month period, we are allowed to propose an accepted third-party, who will be granted subordinate rights of use. In any case, we will continue to be liable to Kibbutz Sdot-Yam with respect to such lands.

We have committed to fund the cost of the construction, up to a maximum of NIS 3.3 million ($1.1 million) plus VAT, required to change the access road leading to Kibbutz Sdot-Yam and our facilities, such that the entrance to our facilities will be separated from the entrance into Kibbutz Sdot-Yam. From the said amount, the Kibbutz has already set off an amount of NIS 300,000 for expenses incurred by it. In addition, we committed to pay NIS 200,000 (approximately $64,000) plus VAT to cover the cost of paving an area of land leased from Kibbutz Sdot-Yam with such payment deducted in monthly installments over a four-year period beginning the year the construction completed from the lease payments to be made to Kibbutz Sdot-Yam under the land use agreement related to our Sdot-Yam facility.

In connection with this agreement, we reached non-monetary agreements with Kibbutz Sdot-Yam allowing them access to certain infrastructures located in the leased premises such as electrical, water and sewage.

While Kibbutz Sdot-Yam is responsible under the agreement for obtaining various licenses, permits, approvals and authorizations necessary for use of the property, we have waived any monetary recourse against Kibbutz Sdot-Yam for failure to receive such licenses, permits, approvals and authorizations.

Land purchase and leaseback agreement

On June 6, 2007, we entered into a long-term lease agreement with the ILA in the lands and facilities of the Bar-Lev Industrial Center for an initial period of 49 years as of February 6, 2005, with an option to renew for an additional term of 49 years as of the end of the initial period. On March 31, 2011, we entered into a land purchase and leaseback agreement with Kibbutz Sdot-Yam, pursuant to which, effective as of September 1, 2012, Kibbutz Sdot-Yam acquired from us our rights in the lands and facilities of the Bar-Lev Industrial Park in consideration for NIS 43.7 million ($10.9 million). Pursuant to the land purchase and leaseback agreement, we were required to obtain certain third-party consents from, among others, the Israeli Tax Authorities and from the Israeli Investment Center. All such consents have been obtained. The land purchase and leaseback agreement were executed simultaneously with the execution of a land use agreement. Pursuant to the land use agreement, Kibbutz Sdot-Yam permits us to use the Bar-Lev land for a period of 10 years commencing in September 2012 that will be automatically renewed unless we give two years prior notice, for an additional 10-year term in consideration for an annual fee of NIS 4.1 million ($1.2 million) to be linked to the increase of the Israeli consumer price index. In accordance with the terms of the agreement, we elected to extend the term of the agreement for another 10 years until August 31, 2032.

Following a request by the Kibbutz, in accordance with its rights under the land lease agreements for Sdot-Yam and Bar-Lev facilities the terms of the land lease agreement, a market assessment of an appointed independent appraiser was obtained, and amounts paid starting at 2021 are based on such appraisal.

Under the land use agreement, we may not decrease or return to Kibbutz Sdot-Yam any part of the land underlying the land use agreement; however, subject to several limitations, we may be able to sublease such lands to a person approved in advance by Kibbutz Sdot-Yam. We may assign our rights under the land use agreement pursuant to a merger with a third party and to any corporation under our control. In such an event, we will continue to be liable to Kibbutz Sdot-Yam with respect to such lands. In addition, subject to certain exceptions, if we need additional facilities on the land that we are permitted to use by Kibbutz Sdot-Yam, subject to obtaining the permits required by law, Kibbutz Sdot-Yam may build such facilities for us by using the proceeds of a loan that we will make to Kibbutz Sdot-Yam, which loan shall be repaid to us by off-setting the monthly additional payment that we would pay for such new facilities and, if not fully repaid during the lease term, upon termination thereof.

Agreement for Additional Land on the Grounds Near Our Bar-Lev Manufacturing Facility

In August 2013, we entered into the Agreement for Additional Land, pursuant to which Kibbutz Sdot-Yam acquired additional land of approximately 12,800 square meters on the grounds near our Bar-Lev manufacturing facility, which we required in connection with the construction of the fifth production line at our Bar-Lev manufacturing facility and leased it to us for a monthly fee of approximately NIS 70,000 (approximately $20,000). Under the agreement, Kibbutz Sdot-Yam committed to (i) acquire the long-term leasing rights of the Additional Bar-Lev Land from the ILA, (ii) perform preparation work and construction, in conjunction with the administrative body of Bar-Lev industrial park and other contractors according to our plans, (iii) build a warehouse according to our plans, and (iv) obtain all permits and approvals required for performing the preparation work of the Additional Bar-Lev Land and for the building of the warehouse. The warehouse in Bar-Lev will be situated both on the current and new land. The financing of the building of the warehouse is to be made through a loan that will be granted by us to Kibbutz Sdot-Yam, in the amount of the total cost related to the building of the warehouse, and such loan, including principal and interest, shall be repaid by setoff of the lease due to Kibbutz Sdot-Yam by us for our use of the warehouse. The principal amount of the loan will bear interest at a rate of 5.3% a year. On November 30, 2015, the land preparation work had been completed and the holding of the Additional Bar-Lev Land was delivered to us. To date, the warehouse has not been constructed.

Pursuant to the above-mentioned land use agreements in Sdot-Yam and Bar-Lev, we paid to Kibbutz Sdot-Yam an aggregate of $7.9 million in 2023, $8.2 million in 2022, and $7.7 million in 2021.

Manpower agreement

In March 2001, we entered into a Manpower Agreement with Kibbutz Sdot-Yam, which was amended in December 2006. Pursuant to the agreement, Kibbutz Sdot-Yam agreed to provide us with labor services staffed by Kibbutz members, candidates for Kibbutz membership and Kibbutz residents (each a "**Kibbutz Appointee**"). This agreement was replaced by a new Manpower Agreement, signed on July 20, 2011, with a term of 10 years from January 1, 2011 that was automatically renewed on December 31, 2020 and will be further automatically renewed, unless one of the parties gives six months' prior notice, for additional one-year periods until December 31, 2030. Our audit committee has determined that the term of the Manpower Agreement with Kibbutz Sdot-Yam is reasonable under the relevant circumstances except as it relates to office holders. In November 2021, the portion of the agreement that relates to office holders terminated and was not renewed.

Under the Manpower Agreement and addendums thereto, Kibbutz Sdot-Yam provides us with labor services staffed by Kibbutz Appointees. The consideration to be paid for each Kibbutz Appointee is based on our total cost of employment for a non-Kibbutz Appointee employee performing a similar role. The number of Kibbutz Appointees may change in accordance with our needs. Under the Manpower Agreement, we will notify Kibbutz Sdot-Yam of any roles that require staffing, and if the Kibbutz offers candidates with skills similar to other candidates, we will give preference to the hiring of the relevant Kibbutz members. Kibbutz Sdot-Yam is entitled under the Manpower Agreement, at its sole discretion, to discontinue the engagement of any Kibbutz Appointee of manpower services through his or her employment by Kibbutz Sdot-Yam and require such appointee to become employed directly by us.

Under the Manpower Agreement, we will contribute monetarily to assist with the implementation of a professional reserve plan to encourage young Kibbutz members to obtain the necessary education for future employment with us. We will provide up to NIS 250,000 (approximately $77 thousands) per annum for this plan linked to changes in the Israeli consumer price index plus VAT. We will also implement a policy that prioritizes the hiring of such young Kibbutz members as our employees upon their graduation. Pursuant to the Manpower Agreement, we paid to Kibbutz Sdot-Yam an aggregate of $1.6 million in 2023, $1.8 million in 2022, and $1.8 million in 2021. As of December 31, 2023, we engaged 21 Kibbutz Appointees on a permanent basis.

Services agreement

On July 20, 2011, we entered into a services agreement with Kibbutz Sdot-Yam, as amended on February 13, 2012 ("**Original Services Agreement**"). Pursuant to the Original Services Agreement, the Kibbutz provided us with various services related to our operational needs. The Original Services Agreement also outlined the distribution mechanism between us and Kibbutz Sdot-Yam for certain expenses and payments due to local authorities, such as taxes and fees in connection with our business facilities. The agreement expired on March 21, 2015.

On July 30, 2015, following the approval of our audit committee and the board, our shareholders approved an amended services agreement for a period of three years. On November 27, 2018, following the approval of our audit committee and the board, our shareholders approved a further amended services agreement ("**Amended Services Agreement**") for an additional period of three years, which was extended in 2021 for an additional three-year period. Under the Amended Services Agreement, Kibbutz Sdot-Yam continues to provide us with various services it provides in the ordinary course of our business. The amount that we pay Kibbutz Sdot-Yam under the Amended Services Agreement depends on the scope of services we will receive and is based on rates specified in such agreement which were determined based on market terms, taking into account the added value of consuming services from Kibbutz Sdot-Yam, considering its physical proximity to our manufacturing plant in Sdot-Yam and its expertise. The amounts we pay for the services are subject to certain adjustments for increases in the Israeli consumer price index. In addition, the Amended Services Agreement grants Kibbutz Sdot-Yam a right of first proposal in special projects with respect to the metal workshop services. The Amended Services Agreement also outlines the distribution mechanism between us and the Kibbutz for certain expenses and payments due to local authorities, such as certain taxes and fees in connection with our business facilities. Each party may terminate such agreement upon a material breach, following 30 days prior notice, or upon liquidation of the other party, following a 45-days' prior notice. In connection with such agreements, we paid the Kibbutz Sdot-Yam an aggregate of $0.8 million in 2023, $1.3 million in 2022, and $1.5 million in 2021.

From time to time, we enter into additional arrangements in the ordinary course of business, at market prices and on market terms, with Kibbutz Sdot-Yam, which are not material in accordance with related party transaction procedures adopted by our audit committee and our board of directors.

Management Services Agreement with Tene

In October 2021, we entered into a management services agreement with Tene Growth Capital 3 Funds Management Company Ltd., the management company of the general partner of Tene Investment in Projects 2016, L.P., pursuant to which Tene Investment in Projects 2016, L.P. provides us with certain management services for an aggregate annual management fee of NIS 870,000 plus VAT, paid in equal quarterly installments.

The fees for the services include (i) services provided by the active Chairman of the Board (who will devote his time in accordance with our needs, as required from time to time, with the scope of the position estimated to be approximately 28 hours per month); (ii) one (1) director service, that since expired; and (iii) regular business development advice, including financial and strategic advice made available by Tene Management through its employees, officers and directors and/or consultants (the "**Management Services**").

During the term of the Management Services Agreement, either party has the right to terminate the Management Services detailed in section (ii) of the definition of the Management Services above at any time and for any reason or for no reason upon thirty (30) days prior written notice to the other party and following such termination the annual management fee shall be reduced to NIS 750,000 plus VAT.

We agreed to reimburse Tene Management for all expenses reasonably required in the performance of the Management Services under the Management Services Agreement pursuant to the terms and conditions of our policies, as may be amended from time to time.

The Management Services pursuant to the agreement will be provided by Dr. Ariel Halperin and Mr. Dori Brown and/or officeholders of Tene Management, and if necessary, by employees and/or consultants of Tene Management, depending on our needs.

The term of the Management Services Agreement is for three (3) years commencing the date the agreement was approved by our shareholders on November 17, 2021. Either party has the right to cancel the Management Services Agreement at any time for any reason or for no reason upon thirty (30) days written notice to the other party or effective immediately if Tene Managements' representatives are no longer serving as our directors.

At the end of the term of the Management Services Agreement the parties may decide to extend it, subject to the receipt of approvals required under applicable Israeli laws.

Agreements with directors and officers

Employment agreements

See "ITEM 6.B: Directors, Senior Management and Employees—Compensation—Employment and consulting agreements with executive officers".

Indemnification agreements

See "ITEM 6.C: Directors, Senior Management and Employees—Board Practices—Exculpation, insurance and indemnification of office holders."

C. Interests of Experts and Counsel

Not applicable.

ITEM 8: Financial Information

A. Consolidated Financial Statements and Other Financial Information

Consolidated Financial Statements

For our audited consolidated financial statements for the year ended December 31, 2022, please see pages F-4 to F-5 of this report.

Legal Proceedings

Claims related to alleged occupational illnesses

Overview

Since 2008, we have been named, either directly or as a third-party defendant and are currently subject to numerous claims for damages related to occupational illnesses contracted through exposure to particles during cutting, polishing, sawing, grinding, breaking, crushing, drilling, sanding or sculpting our products.

As of December 31, 2023, we were subject to pending lawsuits delivered to us, we should with respect to 172 injured persons globally (of which 74 were in Israel, 76 in Australia and 22 in the United States) and had received pre-litigation demand letters with respect to additional 9 persons, in each case relating mainly to silicosis claims.

With respect to claims filed in Israel, a judgment was entered by the District Court during 2013, pursuant to which we were found to be comparatively liable for 33% of the plaintiff's total damages. The remaining liability was imposed on the plaintiff at 40%, as contributory negligence of the plaintiff, and on the State of Israel at 27%. Following an appeal to the Israeli Supreme Court, the parties entered into a settlement agreement and the District Court's ruling was cancelled, although it remains a non-binding guideline. During December 2023, a judgment was rendered by an Israeli District Court, completely dismissing the claims for damages as it was demonstrated that the injured person was properly warned over the years, yet failed to take the necessary measures to comply with safety guidelines.

In November 2015 and in May 2017, we entered into agreements with the State of Israel and with our main distributors in Israel, respectively, with the consent of our insurance carriers, under which we agreed with the State and each of our main distributors to cooperate, subject to certain terms, with respect to joint defense of individual claims filed by injured persons during a certain time period (NII claims are excluded from our agreement with the State) and on the apportionments between us of the total liability of us, the State, and the distributors, if found, in such claims. During January 2020, the State of Israel approved an additional 5-year extension to this agreement which as of December 31, 2022 is in effect with 2 distributers only.

With respect to claims filed in Australia, while there is still no precedent in Australia as to the liability of manufacturers and suppliers in silicosis claims, our insurance carriers acting within their rights under our insurance policies have elected to negotiate and/or agree to settlements in most Australian cases. This practice has led us to recognize these claims as probable and include a provision with respect thereto. See Note See Note 11 of the notes to the financial statements included elsewhere in this annual report. We may still elect to defend ourselves in such claims. If we are unsuccessful in defending any claim, a precedent may be set against the Company, which may also adversely affect our position in other claims. With regard to claims filed against us in the U.S, at this early stage of litigation we are unable to estimate the probability of the actual exposure and we intend to vigorously defend the claims, subject to the insurers' consent. See also "ITEM 3.D. Key Information—Risk Factors— Results of bodily injury claims may have a material adverse effect on our business, operating results, and financial condition".

Our Probable Risks Related to Outstanding Claims

We intend to contest the pending claims against us, although there can be no assurance that we will succeed in these claims and it is possible that we will be liable for damages in connection with some of such claims. As of December 31, 2023, we estimate that our total exposure with respect to pending claims in Israel and Australia related to 150 injured persons is approximately $25.7 million, although the actual outcome of such claims may vary significantly from such estimates due to the major variance in litigation awards. The number of injured persons does not include pre-litigation demand letters and settled claims.

Insurance

We have regional product liability insurance policies in the United States and Canada, each with a coverage of up to $20 million per claim or per year, each in its relevant local currency, subject to certain terms and limitations, with relatively low deductibles and valid through March 31, 2024. In India, we have a public liability insurance policy in the amount of INR 500 million ($6.0 million) effective until March 31, 2024.

Our employer liability insurance excludes silicosis damages and, therefore, in case that we are found liable for any of our employees' illness with silicosis, we will have to bear compensation for such damages, after the deduction of payments made by the NII to an employee of ours, which might have an adverse effect on our business and results of operations. However, in few cases, our carrier agreed to contribute (without admission) towards settlements albeit the silicosis exclusions.

General

From time to time, we are involved in other legal proceedings and claims in the ordinary course of business related to a range of matters, including environmental, contract, employment claims, product liability and warranty claims, and claims related to modification and adjustment or replacement of product surfaces sold. While the outcome of these other claims cannot be predicted with certainty, we do not believe that any such claims will have a materially adverse effect on us, either individually or in the aggregate. See Note 11 of the notes to the financial statements included elsewhere in this annual report.

Dividends

In February 2020, we revised our dividend policy to provide for a quarterly cash dividend of up to 50% of reported net income attributable to controlling interest on a year-to-date basis, less any amount already paid as dividend for the respective period (the "**Calculated Dividend**"), subject in each case to approval by the Company's board of directors. If the Calculated Dividend is less than $0.10 per share, no dividend shall be paid. In the fourth quarter of 2020, we distributed a cash dividend in the amount of $0.14 per share, in the second quarter of 2021, we distributed a cash dividend in the amount of $0.21 per share, in the fourth quarter of 2021, we distributed a cash dividend in the amount of $0.10 per share and in the third quarter of 2022, we distributed a cash dividend in the amount of $0.25 per share. During 2023 we did not distributed dividends. Until 2021 each dividend distribution was subject to withholding tax of 20%, in 2022, the dividend distribution was subject to withholding tax of 20.5%.

We cannot provide assurances regarding whether we will be able to issue a dividend in the future in accordance with our dividend policy and may decide not to pay dividends in the future. The related withholding tax rate can vary in accordance with the local laws and jurisdictions at the time of the dividend payment.

Under Israeli law, we may declare and pay dividends only if, upon the determination of our board of directors, there is no reasonable concern that the distribution will prevent us from meeting the terms of our existing and foreseeable obligations as they become due. The distribution of dividends is further limited by Israeli law to the greater of retained earnings and earnings generated over the two most recent years. In the event that we do not have retained earnings or earnings generated over the two most recent years legally available for distribution, we may seek the approval of the court to distribute a dividend. The court may approve our request if it is convinced that there is no reasonable concern that a payment of a dividend will prevent us from satisfying our existing and foreseeable obligations as they become due.

To the extent we declare a dividend, we do not intend to distribute dividends from earnings related to our Approved/Beneficiary Enterprise programs. The taxable income exemption provided under the Approved/Beneficiary Enterprise program is valid exclusively for undistributed earnings, and as a result, a distribution of earnings related to our Approved/Beneficiary Enterprise programs would subject us to additional tax payments upon a distribution of these earnings as dividends.

The payment of dividends may be subject to Israeli withholding taxes. See "ITEM 10.E: Additional Information—Taxation—Israeli tax considerations and government programs—Taxation of our shareholders—Dividends".

B. Significant Changes

Since the date of our audited financial statements included elsewhere in this annual report, there have not been any significant changes in our financial position.

ITEM 9: The Offer and Listing

Not applicable, except for Items 9.A.4 and 9.C, which are detailed below.

A. Offer and Listing Details

Our ordinary shares have been trading on the Nasdaq Global Select Market under the symbol "CSTE" since March 2012.

B. Plan of Distribution

Not applicable.

C. Markets

See "—Offer and Listing Details" above.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10: Additional Information

A. Share Capital

Not applicable.

B. Memorandum of Association and Articles of Association

Our authorized share capital consists of 200,000,000 ordinary shares, par value NIS 0.04 per share, of which 35,639,332 are issued and 34,536,236 are outstanding as of March 1, 2024.

A copy of our amended and restated articles of association is attached as Exhibit 1.1.

The information called for by this item is set forth in Exhibit 2.1 to this annual report on Form 20-F and is incorporated herein by reference.

Listing

Our ordinary shares are listed on the Nasdaq Global Select Market under the symbol "CSTE."

C. Material Contracts

Summaries of the following material contracts and amendments to these contracts are included in this annual report in the places indicated:

Material Contract	Location in This Annual Report
Agreements with Kibbutz Sdot-Yam	"ITEM 7: Major Shareholders and Related Party Transactions—Related Party Transactions—Relationship and agreements with Kibbutz Sdot-Yam."
Management Services Agreement with Tene	"ITEM 7: Major Shareholders and Related Party Transactions—Related Party Transactions—Management Services Agreement with Tene."
Agreements with Breton S.p.A. (Italy)	"ITEM 3: Key Information—Risk Factors—If we are unable to manufacture and/or ship our existing products globally as planned, our results of operations and future prospects will suffer."
Form of Indemnification Agreement	"ITEM 6: Directors, Senior Management and Employees—Board Practices—Exculpation, insurance and indemnification of officer holders."

D. Exchange Controls

In 1998, Israeli currency control regulations were liberalized significantly, so that Israeli residents generally may freely deal in foreign currency and foreign assets, and non-residents may freely deal in Israeli currency and Israeli assets. There are currently no Israeli currency control restrictions on remittances of dividends on the ordinary shares or the proceeds from the sale of the shares provided that all taxes were paid or withheld; however, legislation remains in effect pursuant to which currency controls can be imposed by administrative action at any time.

Non-residents of Israel may freely hold and trade our securities. Neither our memorandum of association nor our articles of association nor the laws of the State of Israel restrict in any way the ownership or voting of ordinary shares by non-residents, except that such restrictions may exist with respect to citizens of countries which are in a state of war with Israel. Israeli residents are allowed to purchase our ordinary shares.

E. Taxation

The following description is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership and disposition of our ordinary shares. You should consult your own tax advisor concerning the tax consequences of your particular situation, as well as any tax consequences that may arise under the laws of any state, local, foreign or other taxing jurisdiction.

Israeli tax considerations and government programs

The following is a brief summary of the material Israeli tax laws applicable to us, and certain Israeli Government programs benefiting us. This section also contains a discussion of material Israeli tax consequences concerning the ownership of and disposition of our ordinary shares. This summary does not discuss all aspects of Israeli tax law that may be relevant to a particular investor in light of his or her personal investment circumstances or to some types of investors, such as traders in securities, who are subject to special treatment under Israeli law. Because some parts of this discussion are based on new tax legislation that has not yet been subject to judicial or administrative interpretation, we cannot assure you that the Israeli governmental and tax authorities or the Israeli courts will accept the views expressed below. The discussion below is subject to amendment under Israeli law or changes to the applicable judicial or administrative interpretations of Israeli law, which could affect the tax consequences described below. See also note 12 to our financial statements included elsewhere in this report.

The discussion below does not cover all possible tax considerations. Potential investors are urged to consult their own tax advisors as to the Israeli or other tax consequences of the purchase, ownership and disposition of our ordinary shares, including, the effect of any foreign, state or local taxes.

General corporate tax structure in Israel

Israeli resident companies are generally subject to corporate tax, which rate has been fluctuating during the last few years. The corporate tax rate is 23% as of 2018 and thereafter. However, the effective corporate tax rate payable by a company that derives income from a Preferred Enterprise, a Special Preferred Enterprise, a Preferred Technology Enterprise or Special Preferred Technology Enterprise (as discussed below) may be considerably less.

Capital gains generated by an Israeli resident company are subject to tax at the prevailing corporate tax rate. Under Israeli tax legislation, a corporation will be considered as an “Israeli resident company” if (i) it was incorporated in Israel or (ii) the control and management of its business are exercised in Israel.

Foreign Exchange Regulations:

Commencing in taxable year 2014, we had elected and were permitted by the ITA to measure our taxable income and file our tax return under the Israeli Income Foreign Exchange Regulations. Under the Foreign Exchange Regulations, an Israeli company may calculate its tax liability in U.S. dollars according to certain orders. The tax liability, as calculated in U.S. dollars, is translated into NIS based on the exchange rate as of December 31 of each year.

Law for the Encouragement of Industry (Taxes), 5729-1969

The Law for the Encouragement of Industry (Taxes), 5729-1969, generally referred to as the "Encouragement of Industry Law", provides several tax benefits for "Industrial Companies". Pursuant to the Encouragement of Industry Law, a company qualifies as an Industrial Company if it is a resident of Israel which was incorporated in Israel and at least 90% of its gross income in any tax year (exclusive of income from certain government loans) is generated from an "Industrial Enterprise" that it owns and located in Israel or in the "Area", in accordance with the definition under Section 3A of the Israeli Income Tax Ordinance. An Industrial Enterprise is defined as an enterprise whose principal activity, in a given tax year, is industrial manufacturing.

An Industrial Company is entitled to certain tax benefits, including: (i) an amortization of the cost of a purchased patent, the right to use a patent or know-how that were purchased in good faith and are used for the development or promotion of the Industrial Enterprise over an eight-year period, beginning from the year in which such rights were first used, (ii) the right to elect to file consolidated tax returns, under certain conditions, with additional Israeli Industrial Companies controlled by it, and (iii) the right to deduct expenses related to public offerings in equal amounts over a period of three years beginning from the year of the offering.

Eligibility for benefits under the Encouragement of Industry Law is not contingent upon the approval of any governmental authority.

There is no assurance that we qualify or will continue to qualify as an Industrial Company or that the benefits described above will be available in the future.

Law for the Encouragement of Capital Investments, 1959

The Investment Law provides certain incentives for capital investment in a production facility (or other eligible assets). Generally, an investment program that is implemented in accordance with the provisions of the Investment Law, is entitled to benefits. These benefits may include cash grants from the Israeli government and tax benefits, based upon, among other things, the geographic location in Israel of the facility in which the investment is made. In order to qualify for these incentives, a Preferred Enterprise, a Special Preferred Enterprise, a Preferred Technology Enterprise and a Special Preferred Technology Enterprise is required to comply with the requirements of the Investment Law.

The Investment Law has been amended several times over the recent years, with the three most significant changes effective as of April 1, 2005, as of January 1, 2011 (the "**2011 Amendment**") and as of January 1, 2017 (the "**2017 Amendment**").The 2011 Amendment introduced new benefits instead of the benefits granted in accordance with the provisions of the Investment Law prior to the 2011 Amendment. However, companies entitled to benefits under the Investment Law as in effect up to January 1, 2011 were entitled to choose to continue to enjoy such benefits, provided that certain conditions are met, or elect instead, irrevocably, to forego such benefits and elect the benefits of the 2011 Amendment. The 2017 Amendment introduces new benefits for Technological Enterprises, alongside the existing tax benefits.

The following discussion is a summary of the Investment Law following its most recent amendments:

The Preferred Enterprise Regime—the 2011 Amendment

Eligible companies under the 2011 Amendment can receive benefits as a "Preferred Enterprise." In order to receive benefits as a Preferred Enterprise, the 2011 Amendment states, among other requirements, that a company must meet certain conditions including owning an industrial enterprise that meets the "Competitive Enterprise" conditions as described by the Investment Law. The benefits granted to a Preferred Enterprise are determined depending on the location of the Preferred Enterprise within Israel.

Qualified enterprises located in specific locations within Israel are eligible for grants and/or loans simultaneously with tax benefits. Grants and/or loans are approved by the Investment Center.

Pursuant to the 2017 Amendment, in 2017 and thereafter, the corporate tax rate for Preferred Enterprise which is located in a specified development zone was decreased to 7.5%, while the reduced corporate tax rate for other development zones remains 16%. Income derived by a Preferred Company from a 'Special Preferred Enterprise' (as such term is defined in the Investment Law) would be entitled, during a benefits period of 10 years, to further reduced tax rates of 8%, or to 5% if the Special Preferred Enterprise is located in a certain development zone. As of January 1, 2017, the definition for 'Special Preferred Enterprise' includes less stringent conditions.

A company that pays a dividend to Israeli shareholders out of income generated from the Preferred Enterprise is required to withhold tax on such distribution at a rate of 20% (in the case of non-Israeli shareholders – subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate, 20% or a reduced rate under an applicable double tax treaty). However, if such dividends are paid to an Israeli company, no tax is required to be withheld (although, if such dividends are subsequently distributed to individuals or a non-Israeli company, withholding tax at a rate of 20% or such lower rate as may be provided in an applicable tax treaty, will apply).

Under the 2011 Amendment and from January 1, 2011, our facilities have “Preferred Enterprise” status, which entitles us to tax benefits at a flat reduced corporate tax rate that will apply to the industrial enterprise’s entire preferred income. From 2017 onwards, tax rate for the income portion related to Bar-Lev is reduced to 7.5% and Sdot-Yam tax rate remains unchanged. During 2023, and part of the company’s restructuring plan, the company closed Sdot-Yam manufacturing facility, ending future portion related to Sdot-Yam facility and reduced corporate tax rate applied to this income.

There can be no assurance that we will comply with the conditions required to remain eligible for benefits under the Investment Law in the future or that we will be entitled to any additional benefits thereunder. The benefits available to Preferred Enterprises are conditioned upon terms stipulated in the Investment Law and regulations. If we do not fulfill these conditions in whole or in part, the benefits can be reduced or canceled and we may be required to refund the amount of the benefits, linked to the Israeli consumer price index, with interest or other monetary penalties.

The New Technological Enterprise Incentives Regime—the 2017 Amendment

The 2017 Amendment provides new tax benefits for two types of “Technology Enterprises”, as described below, and is in addition to the other existing tax beneficial programs under the Investment Law.

The new incentives regime will apply to “Preferred Technology Enterprises” that meet certain conditions, including: (1) the R&D expenses in the three years preceding the tax year were at least 7% on average of one year out of the company’s turnover or exceeded NIS 75 million (approximately $20.7 million) for a year; and (2) one of the following: (a) at least 20% of the workforce (or at least 200 employees) are employees whose full salary has been paid and reported in the company’s financial statements as R&D; (b) a venture capital investment approximately equivalent to at least NIS 8 million (approximately $2.2 million) was previously made in the company and the company did not change its line of business; (c) growth in sales by an average of 25% or more over the three years preceding the tax year, provided that the turnover was at least NIS 10 million (approximately $2.8 million), in the tax year and in each of the preceding three years; or (d) growth in workforce by an average of 25% or more over the three years preceding the tax year, provided that the company employed at least 50 employees, in the tax year and in each of the preceding three years.

A “Special Preferred Technology Enterprise” is an enterprise that meets conditions 1 and 2 above, and in addition has total annual consolidated revenues above NIS 10 billion (approximately $2.8 billion).

Preferred Technology Enterprises will be subject to a reduced corporate tax rate of 12% on their income that qualifies as “Preferred Technology Income”, as defined in the Investment Law. The tax rate is further reduced to 7.5% for a Preferred Technology Enterprise located in development zone A. These corporate tax rates shall apply only with respect to the portion of intellectual property developed in Israel. In addition, a Preferred Technology Company will enjoy a reduced corporate tax rate of 12% on capital gain derived from the sale of certain “Benefitted Intangible Assets” (as defined in the Investment Law) to a related foreign company if the Benefitted Intangible Assets were acquired from a foreign company on or after January 1, 2017 for at least NIS 200 million (approximately $55.1 million), and the sale receives prior approval from the Israel Innovation Authority (previously known as the Israeli Office of the Chief Scientist) (“**IIA**”). Special Preferred Technology Enterprises will be subject to 6% on “Preferred Technology Income” regardless of the company’s geographic location within Israel. In addition, a Special Preferred Technology Enterprise will enjoy a reduced corporate tax rate of 6% on capital gain derived from the sale of certain “Benefitted Intangible Assets” to a related foreign company if the Benefitted Intangible Assets were either developed by the Special Preferred Enterprise or acquired from a foreign company on or after January 1, 2017, and the sale received prior approval from IIA. A Special Preferred Technology Enterprise that acquires Benefitted Intangible Assets from a foreign company for more than NIS 500 million (approximately $137.9 million), will be eligible for these benefits for at least ten years, subject to certain approvals as specified in the Investment Law.

Dividends distributed to Israeli shareholders by a Preferred Technology Enterprise or a Special Preferred Technology Enterprise, paid out of Preferred Technology Income, are generally subject to withholding tax at source at the rate of 20% (in the case of non-Israeli shareholders – subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate, 20% or such lower rate as may be provided in an applicable tax treaty). However, if such dividends are paid to an Israeli company, no tax is required to be withheld (although, if such dividends are subsequently distributed to individuals or a non-Israeli company, withholding tax at a rate of 20% or such lower rate as may be provided in an applicable tax treaty, will apply). If such dividends are distributed to a parent foreign company holding, solely or together with other foreign companies, at least 90% of the shares of the distributing company and other conditions are met, the withholding tax rate will be 4% (or a lower rate under a tax treaty, if applicable, subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate). Currently, we do not meet the above conditions to be eligible for the tax benefits pursuant to the New Technology Enterprise Incentives Regime—the 2017 Amendment.

The Encouragement of Industrial Research and Development Law, 5744-1984

IIA's grants may limit our ability to manufacture products, or transfer technologies developed using these grants outside of Israel. If we were to seek approval to manufacture products, to consummate a merger or acquisition transaction with a non-Israeli party or to transfer technologies developed using these grants outside of Israel, we could be subject to additional royalty requirements or be required to pay certain redemption fees. If we were to violate these restrictions, we could be required to refund any grants previously received, together with interest and penalties, and may be subject to criminal charges.

Taxation of our shareholders

Capital gains

Capital gains tax is imposed on the disposal of capital assets by an Israeli resident and on the disposal of such assets by a non-Israeli resident if those assets are either (i) located in Israel; (ii) shares or rights to shares in an Israeli resident company, or (iii) represent, directly or indirectly, rights to assets located in Israel unless a tax treaty between Israel and the seller's country of residence provides otherwise. The Israeli Income Tax Ordinance distinguishes between "Real Capital Gain" and "Inflationary Surplus." The Real Capital Gain on the disposition of a capital asset is the amount of total capital gain in excess of Inflationary Surplus. Inflationary Surplus is computed, generally, on the basis of the increase in the Israeli Consumer Price Index or, in certain circumstances, according to the change in the foreign currency exchange rate, between the date of purchase and the date of disposal of the capital asset.

Real Capital Gain generated by a company is generally subject to tax at the corporate tax rate (23% in 2022). As of January 1, 2012, the Real Capital Gain accrued by individuals on the sale of our securities is taxed at the rate of 25%. However, if the individual shareholder is a "Controlling Shareholder" (meaning, a person who holds, directly or indirectly, alone or together with another person who collaborates with such person on a permanent basis, 10% or more of one of the Israeli resident company's "means of control" (including, among other rights, the right to company profits, voting rights, the right to the company's liquidation proceeds and the right to appoint a company director) at the time of sale or at any time during the preceding 12 month period, such gain will be taxed at the rate of 30%.

Individual and corporate shareholders dealing in securities in Israel are taxed at the tax rates applicable to business income – 23% for corporations in 2023 and a marginal tax rate of up to 47% +3% surtax, for an individual in 2023 unless the benefiting provisions of an applicable treaty applies.

Notwithstanding the foregoing, capital gains generated from the sale of securities publicly traded on the Tel Aviv Stock Exchange or on a recognized stock exchange outside of Israel, by a non-Israeli shareholder (individual and corporation) may be exempt under the Israeli Income Tax Ordinance from Israeli taxes provided that all the following conditions are met: (i) the securities were purchased upon or after the registration of the securities on a recognized stock exchange (this requirement generally does not apply to shares purchased on or after January 1, 2009), (ii) the seller of the securities does not have a permanent establishment in Israel to which the generated capital gain is attributed and (iii) with respect to securities listed on a recognized stock exchange outside of Israel, such shareholders are not subject to the Israeli Income Tax Law (Inflationary Adjustments) 5745-1985. However, non-Israeli corporation will not be entitled to the foregoing exemptions if Israeli residents (a) have a controlling interest of more than 25% in such non-Israeli corporation, or (b) are the beneficiaries of or are entitled to 25% or more of the revenues or profits of such non-Israeli corporation, whether directly or indirectly.

In addition, the sale of the securities may be exempt from Israeli capital gain tax under the provisions of an applicable tax treaty. For example, the Convention between the Government of the United States of America and the Government of Israel with respect to Taxes on Income ("**Israel-U.S.A. Double Tax Treaty**") exempts U.S. residents (for purposes of the Israel-U.S.A. Double Tax Treaty) from Israeli capital gains tax in connection with such sale, exchange or disposition provided, among others, that (i) the U.S. resident owned, directly or indirectly, less than 10% of the Israeli resident company's voting power at any time within the 12-month period preceding such sale; (ii) the seller, if an individual, has been present in Israel for less than 183 days (in the aggregate) during the taxable year; (iii) the capital gain from the sale was not generated through a permanent establishment of the U.S. resident which is maintained in Israel; the capital gain arising from such sale, exchange or disposition is not attributed to real estate located in Israel; (v) the capital gains arising from such sale, exchange or disposition is not attributed to royalties; and (vi) the shareholder is a U.S. resident (for purposes of the Israel-U.S.A. Double Tax Treaty) is holding the shares as a capital asset.

The purchaser of the securities, the stockbrokers who effected the transaction or the financial institution holding the traded securities through which payment to the seller is made are obligated to withhold Israeli tax at source from such payment. Shareholders may be required to demonstrate that they are exempt from tax on their capital gains in order to avoid withholding at source at the time of sale. Specifically, in transactions involving a sale of all of the shares of an Israeli resident company, in the form of a merger or otherwise, the ITA may require from shareholders who are not liable for Israeli tax to sign declarations in forms specified by this authority or obtain a specific exemption from the ITA to confirm their status as non-Israeli resident, and in the absence of such declarations or exemptions, may require the purchaser of the shares to withhold taxes at source.

A detailed return, including a computation of the tax due, must be filed and an advance payment must be paid on January 31 and July 30 of each tax year for sales of securities traded on a stock exchange made within the previous six months. However, if all tax due was withheld at the source according to applicable provisions of the Israeli Income Tax Ordinance and the regulations promulgated thereunder, the return does not need to be filed provided that (i) such income was not generated from business conducted in Israel by the taxpayer, (ii) the taxpayer has no other taxable sources of income in Israel with respect to which a tax return is required to be filed and an advance payment does not need to be made, and (iii) the taxpayer is not obligated to pay excess tax (as further explained below). Capital gains are also reportable on an annual income tax return.

Dividends

Israeli residents who are individuals are generally subject to Israeli income tax for dividends paid on shares (other than bonus shares or share dividends) at the rate of 25%, or 30% if the recipient of such dividend is a Controlling Shareholder at the time of distribution or at any time during the preceding 12-month period. However, dividends distributed from taxable income accrued from Preferred Enterprise or Preferred Technology Enterprise to Israeli individuals are subject to withholding tax at the rate of 20%. However, if such dividends are distributed to an Israeli company, no withholding tax is imposed (although, if such dividends are subsequently distributed to individuals or a non-Israeli company, withholding tax at a rate of 20% or such lower rate as may be provided in an applicable tax treaty, subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate, will apply). An average rate will be set in case the dividend is distributed from mixed types of income (regular and preferred income).

Israeli resident corporations are generally exempt from Israeli corporate tax for dividends paid on shares of Israeli resident corporations.

Non-Israeli resident (either an individual or a corporation) is generally subject to an Israeli income tax on the receipt of dividends at the rate of 25% or 30% (if the dividend recipient is a Controlling Shareholder at the time of distribution or at any time during the preceding 12-month period) or 20% or such lower rate as may be provided in an applicable tax treaty, subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate, if the dividend is distributed from income attributed to Preferred Enterprise or Preferred Technology Enterprise. Such dividends are generally subject to Israeli withholding tax at a rate of 25% so long as the shares are registered with a Nominee Company (whether the recipient is a Controlling Shareholder or not), and 20% if the dividend is distributed from income attributed to a Preferred Enterprise or Preferred Technology Enterprise. Under the Israel-U.S.A. Double Tax Treaty the following rate will apply to dividends distributed by an Israeli resident company to a U.S. resident (for purposes of the Israel-U.S.A. Double Tax Treaty): if (A) the U.S. resident is a corporation which held during the portion of the taxable year preceding the date of payment of the dividend and during the whole of its prior taxable year (if any), at least 10% of the outstanding shares of the voting stock of the Israeli resident paying company and (B) not more than 25% of the gross income of the Israeli resident paying company for such prior taxable year (if any) consists of certain type of interest or dividends then the maximum tax rate is 12.5% on dividends. The aforementioned rates will not apply if the dividend income was generated through a permanent establishment of the U.S. resident which is maintained in Israel. If the dividend is attributable partly to income derived from a Preferred Enterprise, and partly to other sources of income, the withholding rate will be a blended rate reflecting the relative portions of the two types of income.

Our company is obligated to withhold tax, upon the distribution of a dividend attributed to a Preferred Enterprise's income from the amount distributed at the following rates: (i) Israeli resident corporations – 0%, (ii) Israeli resident individuals –20% and (iii) non-Israeli residents – 25% or 30%, and subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate – 20% or a reduced tax rate provided under the provisions of an applicable double tax treaty. If the dividend is distributed from income not attributed to the Preferred Enterprise, the following withholding tax rates will apply: (a) for securities registered and held by a Nominee Company: (i) Israeli resident corporations – 0%, (ii) Israeli resident individuals – 25% and (iii) non-Israeli residents – 25%, unless a reduced tax rate is provided under the provisions of an applicable double tax treaty (subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate); (b) in all other cases: (i) Israeli resident corporations – 0%, (ii) Israeli resident individuals – 25% or 30% (if the dividend recipient is a Controlling Shareholder at the time of the distribution or at any time during the preceding 12 month period), and (iii) non-Israeli residents – 25% or 30% as referred to above with respect to Israeli resident individuals, unless a reduced tax rate is provided under the provisions of an applicable double tax treaty (subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate).A non-Israeli resident who receives dividends from which tax was withheld is generally exempt from the obligation to file tax returns in Israel with respect to such income, provided that (i) such income was not generated from business conducted in Israel by the taxpayer, (ii) the taxpayer has no other taxable sources of income in Israel with respect to which a tax return is required to be filed, and (iii) the taxpayer is not obligated to pay excess tax (as further explained below).

Estate and gift tax

Israeli law presently does not impose estate or gift taxes.

Excess Tax

Individual holders who are subject to tax in Israel (whether any such individual is an Israeli resident or non-Israeli resident) and who have taxable income that exceeds a certain threshold in a tax year (NIS 663,241 for 2022 and NIS 698,280 for 2023), which amount is linked to the annual changes to the Israeli Consumer Price Index), will be subject to an additional tax at the rate of 3% on his or her taxable income for such tax year that is in excess of such amount. For this purpose, taxable income includes, but is not limited to, taxable capital gains from the sale of securities and taxable income from interest and dividends.

United States federal income taxation

The following is a description of the material United States federal income tax consequences to a U.S. Holder (as defined below) of the acquisition, ownership and disposition of our ordinary shares. This description addresses only the United States federal income tax consequences to holders that hold such ordinary shares as capital assets for United States federal income tax purposes. This description does not address tax considerations applicable to holders that may be subject to special tax rules, including, without limitation:

- banks, financial institutions or insurance companies;
- real estate investment trusts, regulated investment companies or grantor trusts;
- dealers or traders in securities, commodities or currencies;
- tax-exempt entities;
- certain former citizens or long-term residents of the United States;
- persons that received our shares as compensation for the performance of services;
- persons that will hold our shares as part of a "hedging," "integrated" or "conversion" transaction or as a position in a "straddle" for United States federal income tax purposes;
- partnerships (including entities classified as partnerships for United States federal income tax purposes) or other pass-through entities, or holders that will hold our shares through such an entity;
- S-corporations;
- holders that acquire ordinary shares as a result of holding or owning our preferred shares;

- U.S. Holders (as defined below) whose "functional currency" is not the U.S. Dollar;
- persons subject to special tax accounting rules as a result of any item of gross income with respect to our ordinary shares being taken into account in an applicable financial statement; or
- holders that own directly, indirectly or through attribution 10% or more of the voting power or value of our shares.

Moreover, this description does not address the United States federal estate, gift or alternative minimum tax consequences, or any state, local or foreign tax consequences, of the acquisition, ownership and disposition of our ordinary shares.

This description is based on the United States Internal Revenue Code of 1986, as amended (the "**Code**"), existing, proposed and temporary United States Treasury Regulations and judicial and administrative interpretations thereof, in each case as in effect and available on the date hereof. All the foregoing is subject to change, which change could apply retroactively and could affect the tax consequences described below. There can be no assurances that the U.S. Internal Revenue Service will not take a different position concerning the tax consequences of the acquisition, ownership and disposition of our ordinary shares or that such a position could not be sustained.

For purposes of this description, a "U.S. Holder" is a beneficial owner of our ordinary shares that, for United States federal income tax purposes, is:

- an individual holder that is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States or any state thereof, including the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if such trust has validly elected to be treated as a United States person for United States federal income tax purposes or if (1) a court within the United States is able to exercise primary supervision over its administration and (2) one or more United States persons have the authority to control all of the substantial decisions of such trust.

If a partnership (or any other entity treated as a partnership for United States federal income tax purposes) holds our ordinary shares, the tax treatment of a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its tax advisor as to its tax consequences.

You should consult your tax advisor with respect to the United States federal, state, local and foreign tax consequences of acquiring, owning and disposing of our ordinary shares.

Distributions

Subject to the discussion below under "Passive foreign investment company considerations," if you are a U.S. Holder, the gross amount of any distribution made to you with respect to our ordinary shares before reduction for any Israeli taxes withheld therefrom, other than pro rata distributions of our ordinary shares to all our shareholders, generally will be includible in your income as dividend income to the extent such distribution is paid out of our current or accumulated earnings and profits as determined under United States federal income tax principles. Subject to the discussion below under "Passive foreign investment company considerations," non-corporate U.S. Holders may qualify for the lower rates of taxation with respect to dividends on ordinary shares applicable to long-term capital gains (meaning, gains from the sale of capital assets held for more than one year) provided that certain conditions are met, including certain holding period requirements and the absence of certain risk reduction transactions. However, such dividends will not be eligible for the dividends received deduction generally allowed to corporate U.S. Holders. Subject to the discussion below under "Passive foreign investment company considerations," to the extent that the amount of any distribution by us exceeds our current and accumulated earnings and profits as determined under United States federal income tax principles, it will be treated first as a tax-free return of your adjusted tax basis in our ordinary shares and thereafter as capital gain. We do not expect to maintain calculations of our earnings and profits under United States federal income tax principles and, therefore, U.S. Holders should expect that the entire amount of any distribution generally will be reported as dividend income.

Dividends paid to U.S. Holders with respect to our ordinary shares will be treated as foreign source income, which may be relevant in calculating your foreign tax credit limitation. Subject to certain conditions and limitations, Israeli tax withheld on dividends may be deducted from your taxable income or credited against your United States federal income tax liability. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends that we distribute generally should constitute "passive category income," or, in the case of certain U.S. Holders, "general category income." A foreign tax credit for foreign taxes imposed on distributions may be denied if you do not satisfy certain minimum holding period requirements. In addition, for periods in which we are a "United Stated-owned foreign corporation", a portion of dividends paid by us may be treated as U.S. source solely for purposes of the foreign tax credit. We would be treated as a United States-owned foreign corporation if 50% or more of the total value or total voting power of our stock is owned, directly, indirectly or by attribution, by United States persons. To the extent any portion of our dividends is treated as U.S. source income pursuant to this rule, the ability of a U.S. Holder to claim a foreign tax credit for any Israeli withholding taxes payable in respect of our dividends may be limited. A U.S. Holder entitled to benefits under the United States-Israel Tax Treaty may, however, elect to treat any dividends as foreign source income for foreign tax credit purposes if the dividend income is separated from other income items for purposes of calculating the U.S. Holder's foreign tax credit. Furthermore, Treasury Regulations that apply to taxable years beginning on or after December 28, 2021 may in some circumstances prohibit a U.S. Holder from claiming a foreign tax credit unless the taxes are creditable under the Israel – U.S.A Double Tax Treaty and the holder is eligible for benefits under the U.S.-Israel Tax Treaty and elects its application. However, a recent notice from the IRS indicates that the U.S. Department of the Treasury and the IRS are considering proposing amendments to such Treasury regulations and allows, subject to certain conditions, taxpayers to defer the application of many aspects of such Treasury regulations for taxable years beginning on or after December 28, 2021 and ending before the date that a notice or other guidance withdrawing or modifying the temporary relief is issued (or any later date specified in such notice or other guidance). The rules relating to the determination of the foreign tax credit are complex, and you should consult your tax advisor to determine whether and to what extent you will be entitled to this credit.

Future distributions with respect to our ordinary shares may be paid in U.S. dollars or NIS. If a distribution is denominated in NIS, the amount of such distribution will equal the U.S. dollar value of the NIS received, calculated by reference to the exchange rate in effect on the date that distribution is received, whether or not the U.S. Holder in fact converts any NIS received into U.S. dollars at that time. If the distribution is converted into U.S. dollars on the date of receipt, a U.S. Holder generally will not be required to recognize foreign currency gain or loss in respect of the distribution. A U.S. Holder may have foreign currency gain or loss if the distribution is converted into U.S. dollars after the date of receipt. Any gains or losses resulting from the conversion of NIS into U.S. dollars will be treated as ordinary income or loss, as the case may be, of the U.S. Holder and will be U.S.-source.

Sale, exchange or other disposition of ordinary shares

Subject to the discussion below under "Passive foreign investment company considerations," U.S. Holders generally will recognize gain or loss on the sale, exchange or other disposition of our ordinary shares equal to the difference between the amount realized on such sale, exchange or other disposition and such holder's adjusted tax basis in our ordinary shares, and such gain or loss will be capital gain or loss. The adjusted tax basis in an ordinary share generally will be equal to the cost of such ordinary share. If you are a non-corporate U.S. Holder, capital gain from the sale, exchange or other disposition of ordinary shares is generally eligible for a preferential rate of taxation applicable to capital gains, if your holding period for such ordinary shares exceeds one year (meaning, such gain is long-term capital gain). The deductibility of capital losses for United States federal income tax purposes is subject to limitations under the Code. Any such gain or loss that a U.S. Holder recognizes generally will be treated as U.S. source income or loss for foreign tax credit limitation purposes. Accordingly, in the event any Israeli tax (including withholding tax) is imposed upon such sale or other disposition, a U.S. Holder may not be able to utilize foreign tax credits unless such holder has foreign source income or gain in the same category from other sources. Moreover, there are special rules under the income tax treaty between the Israel-U.S.A. Double Tax Treaty, which may impact a U.S. Holder's ability to claim a foreign tax credit. Furthermore, Treasury Regulations that apply to taxable years beginning on or after December 28, 2021 may in some circumstances prohibit a U.S. Holder from claiming a foreign tax credit unless the taxes are creditable under the U.S.-Israel Tax Treaty and the holder is eligible for benefits under the U.S.-Israel Tax Treaty and elects its application. However, a recent notice from the IRS indicates that the U.S. Department of the Treasury and the IRS are considering proposing amendments to such Treasury regulations and allows, subject to certain conditions, taxpayers to defer the application of many aspects of such Treasury regulations for taxable years beginning on or after December 28, 2021 and ending before the date that a notice or other guidance withdrawing or modifying the temporary relief is issued (or any later date specified in such notice or other guidance). The rules relating to the determination of the foreign tax credit are complex, and you should consult your tax advisor to determine whether and to what extent you will be entitled to this credit.

Passive foreign investment company considerations

If we were to be classified as a "passive foreign investment company," or PFIC, in any taxable year, a U.S. Holder would be subject to special rules generally intended to reduce or eliminate any benefits from the deferral of United States federal income tax that a U.S. Holder could derive from investing in a non-U.S. company that does not distribute all of its earnings on a current basis.

A non-U.S. corporation will be classified as a PFIC for United States federal income tax purposes in any taxable year in which, after applying certain look-through rules, either:

- at least 75% of its gross income is "passive income"; or
- at least 50% of the average value of its gross assets is attributable to assets that produce "passive income" or are held for the production of passive income.

Passive income for this purpose generally includes dividends, interest, royalties, rents, gains from commodities and securities transactions, the excess of gains over losses from the disposition of assets, which produce passive income, and includes amounts derived by reason of the temporary investment of funds raised in offerings of our ordinary shares. If a non-U.S. corporation owns at least 25% by value of the stock of another corporation, the non-U.S. corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation and as directly receiving its proportionate share of the other corporation's income. If we are classified as a PFIC in any year with respect to which a U.S. Holder owns our ordinary shares, we will continue to be treated as a PFIC with respect to such U.S. Holder in all succeeding years during which the U.S. Holder owns our ordinary shares, regardless of whether we

continue to meet the tests described above.

Based on the composition of our income, the composition and estimated fair market value of our assets and the nature of our business, we do not believe we were a PFIC for the taxable year ended December 31, 2023 and do not expect that we will be classified as a PFIC for the taxable year ending December 31, 2024. However, no official determination as to our PFIC status has been made for the year ended December 31, 2023. Additionally, because PFIC status is based on our income, assets and activities for the entire taxable year, it is not possible to determine whether we will be characterized as a PFIC for a particular taxable year until after the close of the taxable year. Moreover, the determination of our PFIC status annually is based on tests which are factual in nature, and our status in future years will depend on our income, assets and activities in those years. Furthermore, because the value of our gross assets is likely to be determined in large part by reference to our market capitalization, a decline in the value of our ordinary shares may result in our becoming a PFIC. There can be no assurance that we will not be considered a PFIC for any taxable year. If we were a PFIC then unless you make one of the elections described below, a special tax regime will apply to both (a) any "excess distribution" by us to you (generally, your ratable portion of distributions in any year which are greater than 125% of the average annual distribution received by you in the shorter of the three preceding years or your holding period for our ordinary shares) and (b) any gain realized on the sale or other disposition of the ordinary shares.

Under this regime, any excess distribution and realized gain will be treated as ordinary income and will be subject to tax as if (a) the excess distribution or gain had been realized ratably over your holding period, (b) the amount deemed realized in each year had been subject to tax in each year of that holding period at the highest marginal rate for such year (other than income allocated to the current period or any taxable period before we became a PFIC, which will be subject to tax at the U.S. Holder's regular ordinary income rate for the current year and will not be subject to the interest charge discussed below), and (c) the interest charge generally applicable to underpayments of tax had been imposed on the taxes deemed to have been payable in those years. In addition, dividend distributions made to you will not qualify for the lower rates of taxation applicable to long-term capital gains discussed above under "Distributions." Certain elections may be available that would result in an alternative treatment (such as mark-to-market treatment) of our ordinary shares. We do not intend to provide the information necessary for U.S. Holders to make qualified electing fund elections if we are classified as a PFIC. U.S. Holders should consult their tax advisors to determine whether any of these elections would be available and if so, what the consequences of the alternative treatments would be in their particular circumstances.

If we are determined to be a PFIC, the general tax treatment for U.S. Holders described in this paragraph would apply to indirect distributions and gains deemed to be realized by U.S. Holders in respect of any of our subsidiaries that also may be determined to be PFICs.

If a U.S. Holder owns ordinary shares during any year in which we are classified as a PFIC and the U.S. Holder recognizes gain on a disposition of our ordinary shares or receives distributions with respect to our ordinary shares, the U.S. Holder generally will be required to file an IRS Form 8621 with respect to the company, generally with the U.S. Holder's federal income tax return for that year. If our company were a PFIC for a given taxable year, then you should consult your tax advisor concerning your annual filing requirements.

U.S. Holders should consult their tax advisors regarding whether we are a PFIC and the potential application of the PFIC rules.

Backup withholding tax and information reporting requirements

United States backup withholding tax and information reporting requirements may apply to certain payments to certain holders of stock. Information reporting generally will apply to payments of dividends on, and to proceeds from the sale or redemption of, our ordinary shares made within the United States, or by a U.S. payor or U.S. middleman, to a holder of our ordinary shares, other than an exempt recipient (including a payee that is not a United States person that provides an appropriate certification and certain other persons). A payor will be required to withhold backup withholding tax from any payments of dividends on, or the proceeds from the sale or redemption of, ordinary shares within the United States, or by a U.S. payor or U.S. middleman, to a holder, other than an exempt recipient, if such holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, such backup withholding tax requirements. Any amounts withheld under the backup withholding rules will be allowed as a credit against the beneficial owner's United States federal income tax liability, if any, and any excess amounts withheld under the backup withholding rules may be refunded, provided that the required information is timely furnished to the U.S. Internal Revenue Service.

3.8% Medicare Tax on "Net Investment Income"

Certain U.S. Holders who are individuals, estates or trusts are required to pay an additional 3.8% tax on, among other things, dividends and capital gains from the sale or other disposition of ordinary shares.

Foreign asset reporting

Certain U.S. Holders, who are individuals, are required to report information relating to an interest in our ordinary shares, subject to certain exceptions (including an exception for shares held in accounts maintained by U.S. financial institutions). U.S. Holders are urged to consult their tax advisors regarding their information reporting obligations, if any, with respect to their ownership and disposition of our ordinary shares.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership and disposition of our ordinary shares. You should consult your tax advisor concerning the tax consequences of your particular situation.

F. Dividends and Paying Agents

Not applicable.

G. Statements by Experts

Not applicable.

H. Documents on Display

You may read and copy this annual report on Form 20-F, including the related exhibits and schedules, and any document we file with the SEC through the SEC's website at http://www.sec.gov.

As a foreign private issuer, we are exempt from the rules under the Exchange Act related to the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. Furthermore, as a foreign private issuer, we are also not subject to the requirements of Regulation Fair Disclosure ("**FD**") promulgated under the Exchange Act. In addition, we are not required under the Exchange Act to file annual or other reports and consolidated financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. Instead, we must file with the SEC, within 120 days after the end of each fiscal year, or such other applicable time as required by the SEC, an annual report on Form 20-F containing consolidated financial statements audited by an independent registered public accounting firm. We also intend to furnish certain other material information to the SEC under cover of Form 6-K.

We maintain a corporate website at *http://www.caesarstone.com.* Information contained on, or that can be accessed through, our website does not constitute a part of this annual report on Form 20-F. We have included our website address in this annual report on Form 20-F solely as an inactive textual reference.

I. Subsidiary Information

Not applicable.

J. Annual Report to Security Holders

Not applicable.

ITEM 11: Quantitative and Qualitative Disclosures About Market Risk

Since July 1, 2012, our functional currency has been the U.S. dollar. We conduct business in a large number of countries and, as a result, we are exposed to foreign currency fluctuations. The majority of our revenues are denominated in U.S. dollars, Australian dollars and Canadian dollars. Sales in Australian dollars accounted for 18.8%, 16.8% and 18.4% of our revenues in 2023, 2022 and 2021, respectively. Sales in Canadian dollars accounted for 13.4%, 13.5% and 13.1% of our revenues in 2023, 2022 and 2021, respectively. As a result, devaluation of the Australian dollar, and to a lesser extent, the Canadian dollar, relative to the U.S. dollar could reduce our profitability significantly. Our expenses are largely denominated in U.S. dollars, NIS and Euros, and a smaller proportion in Canadian dollars, Australian dollars, British pound, Singaporean dollar and Indian Rupee. As a result, a revaluation of the NIS, or to a lesser extent, the Euro, relative to the U.S. dollar could reduce our profitability significantly.

The following table presents information about the year over year percentage changes in the average exchange rates of the principal currencies that impact our results of operations:

	Australian dollar against U.S. dollar	Canadian dollar against U.S. dollar	NIS against U.S. dollar	Euro against U.S. dollar
2022	(7.6)%	(3.7)%	(3.8)%	(11)%
2023	(4.5)%	(3.7)%	(9.0)%	2.6%

Assuming a 10% decrease in the Australian dollar relative to the U.S. dollar and assuming no other changes, our operating income would have decreased by $7.1 million in 2023.

Assuming a 10% decrease in the Canadian dollar relative to the U.S. dollar and assuming no other changes, our operating income would have decreased by $3.9 million in 2023.

Devaluation of NIS relative to the U.S. dollar would decrease our revenues generated in Israel. However, our NIS operating costs when reported in U.S. dollars would decrease to a greater extent, resulting in higher operating income. As a result, assuming a 10% decrease in NIS relative to the U.S. dollar and assuming no other changes, our operating income, as reported in U.S. dollars, would have increased by $7.5 million in 2023.

An appreciation of the Euro relative to the U.S. dollar would increase our revenues generated in Europe and certain other countries. However, our Euro operating costs when reported in U.S. dollars would increase to a greater extent, resulting in lower operating income. Assuming a 10% decrease in the Euro relative to the U.S. dollar and assuming no other changes, our operating income would have increased by $1.3 million in 2023.

Our exposure related to exchange rate changes on our net asset position denominated in currencies other than the U.S. dollar varies with changes in our net asset position. Net asset position refers to financial assets, such as trade receivables and cash, less financial liabilities, such as loans and accounts payable. The impact of any such transaction gains or losses is reflected in finance expenses, net. Our most significant exposure as of December 31, 2023, relates to a potential change in the exchange rate of the EUR and British pound and to a lesser extent to the Canadian Dollar, Singaporean dollar, and the Indian Rupee relative to the U.S. dollar. Assuming a 10% decrease in the Australian dollar relative to the U.S. dollar, and assuming no other changes, finance expenses, net would have decreased by $0.1 million. Assuming a 10% decrease in the GBP, EUR, Singaporean dollar, NIS, Canadian Dollar and Indian Rupee relative to the U.S. dollar, and assuming no other changes, finance expenses, net would have increased by $0.9 million, $0.8 million, $0.4 million, $0.4 million, $0.3 million and $0.1 million in 2023, respectively.

We use forward contracts to manage currency risk with respect to those currencies in which we generate revenues or incur expenses. Our functional currency is the U.S. dollar, and we use Australian/U.S. dollar, Euro/U.S. dollar and U.S. dollar/Canadian dollar and GBP/ U.S. dollar forward contracts. The derivatives instruments partially offset the impact of foreign currency fluctuations. We may in the future use derivative instruments to a greater extent or engage in other transactions or invest in market risk sensitive instruments if we determine that it is necessary to offset these risks. Currency instruments other than our U.S. dollar/NIS forward contracts are not designated as hedging accounting instruments under ASC 815, Derivatives and Hedging. Therefore, we have been incurring financial loss or income as a result of these derivatives.

As of December 31, 2023, we had the following foreign currency hedge portfolio (U.S. dollar in thousands):

		USD/NIS	EUR/USD	GBP/USD	USD/CAD	AUD/USD	TOTAL
Sell forward contracts	Notional	21,162	---	---	---	---	21,162
	Fair Value	539	---	---	---	---	539
	Average rate	3.705	---	---	---	---	---
Total notional value		21,162	---	---	---	---	21,162
Total fair value		$ 539	$ ---	$ ---	$ ---	$ ---	$ 539

As of December 31, 2023, net embedded gain on our foreign currency open derivatives transactions was $0.5 million. As of December 31, 2022, net embedded loss on our foreign currency open derivatives transactions was $0.1 million. As of December 31, 2021, net embedded gain on our foreign currency open derivatives transactions was $1.4 million.

For the year ended December 31, 2023, our finance from derivatives including the impact of the foreign exchange rate derivatives fair value measurement resulted in income of $1.4 million. For the year ended December 31, 2022 our finance expenses resulted from derivatives including the impact of the foreign exchange rate derivatives fair value measurement were $1.5 million. For the year ended December 31, 2021, our finance income resulted from derivatives including the impact of the foreign exchange rate derivatives fair value measurement were $2.1 million.

Interest rates

We had cash and short-term bank deposits totaling $91 million on December 31, 2023. Our cash, cash equivalents and short-term bank deposits are held for working capital and other purposes. We do not enter into investments for trading or speculative purposes. Due to the short-term nature of the investments in cash equivalents and our relatively low debt balances, we do not believe that changes in interest rates will have a material impact on our financial position and results of operations and, therefore, we believe that a sensitivity analysis would not be material to investors. However, declines in interest rates will reduce future investment income.

Inflation

Inflationary factors such as increases in the cost of our labor may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain current levels of gross profit margins and operating expenses as a percentage of revenues if the selling prices of our products do not increase in line with increases in costs.

ITEM 12: Description of Securities Other Than Equity Securities

Not applicable.

PART II

ITEM 13: Defaults, Dividend Arrearages and Delinquencies

None.

ITEM 14: Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

ITEM 15: Controls and Procedures

(a) Disclosure Controls and Procedures. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2023. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2023, our disclosure controls and procedures were effective such that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Management's Annual Report on Internal Control Over Financial Reporting. Our management, under the supervision of our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Our management, including our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2023. In making this assessment, our management used the criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our management has concluded, based on its assessment, that our internal control over financial reporting was effective as of December 31, 2023 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external reporting purposes in accordance with generally accepted accounting principles.

(c) Attestation Report of the Registered Public Accounting Firm. Our independent registered public accounting firm has audited the consolidated financial statements included in this annual report on Form 20-F, and as part of its audit, has issued an unqualified audit report on the effectiveness of our internal control over financial reporting as of December 31, 2023. This report is included in pages F-2 and F-3 of this annual report on Form 20-F and is incorporated herein by reference.

(d) Changes in Internal Control Over Financial Reporting. During the period covered by this report, no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) have occurred that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16: Reserved

ITEM 16A: Audit Committee Financial Expert

Our board of directors has determined that each of Ms. Nurit Benjamini and Ms. Lily Ayalon qualifies as an "audit committee financial expert," as defined by the rules of the SEC, and has the requisite financial experience required by the Nasdaq rules. In addition, Ms. Nurit Benjamini and Ms. Lily Ayalon are each independent directors as such term is defined in Rule 10A-3(b)(1) under the Exchange Act and under Nasdaq rules.

ITEM 16B: Code of Ethics

The Company has adopted a code of ethics ("**Code of Ethics**") that applies to all the employees, directors and officers. We have posted these codes on our corporate website at https://ir.caesarstone.com/governance/governance-documents/default.aspx. Information contained on, or that can be accessed through, our website does not constitute a part of this annual report and is not incorporated by reference herein.

Waivers of our Code of Ethics may only be granted by the board of directors. Any amendments to this Code of Ethics or any waiver that is granted, and the basis for granting the waiver, will be publicly communicated as appropriate. Under Item 16B of Form 20-F, if a waiver or amendment of the Code of Ethics applies to our principal executive officer, principal financial officer, principal accounting officer, controller and other persons performing similar functions and relates to standards promoting any of the values described in Item 16B(b) of Form 20-F, we will disclose such waiver or amendment (i) on our website within five business days following the date of amendment or waiver in accordance with the requirements of Instruction 4 to Item 16B or (ii) through the filing of a Form 6-K. We granted no waivers under our Code of Ethics in 2023.

ITEM 16C: Principal Accountant Fees and Services

Fees Paid to the Auditors

The following table sets forth, for each of the years indicated, the fees billed by our independent registered public accounting firm.

	2023	2022
	(in thousands of U.S. dollars)	
Audit fees(1)	$ 954	$ 743
Audit-related fees(2)	58	1
Tax fees(3)	44	82
All other fees(4)	21	193
Total	$ 1,077	$ 1,019

(1) "Audit fees" include fees for services performed by our independent public accounting firm in connection with the integrated audit of our annual audit consolidated financial statements for 2023 and 2022, and its internal control over financial reporting as of December 31, 2023 and 2022, certain procedures regarding our quarterly financial results submitted on Form 6-K, and consultation concerning financial accounting and reporting standards.

(2) "Audit-related fees" relate to assurance and associated services that are traditionally performed by the independent auditor.

(3) "Tax fees" include fees for professional services rendered by our independent registered public accounting firm for tax compliance and tax advice and tax planning services on actual or contemplated transactions.

(4) "Other fees" include fees for services rendered by our independent registered public accounting firm with respect to supply chain consulting, governmental incentives, due diligence investigations and other matters.

Audit Committee's Pre-Approval Policies and Procedures

Our audit committee has adopted a pre-approval policy for the engagement of our independent accountant to perform certain audit and non-audit services. Pursuant to this policy, which is designed to assure that such engagements do not impair the independence of our auditors, the audit committee pre-approves annually a catalog of specific audit and non-audit services in the categories of audit service, audit-related service and tax services that may be performed by our independent accountants, in addition to its ad-hoc approval of certain additional minor services.

ITEM 16D: Exemptions from the Listing Standards for Audit Committees

Not applicable.

ITEM 16E: Purchases of Equity Securities by the Company and Affiliated Purchasers

None.

ITEM 16F: Change in Registrant's Certifying Accountant

Starting 2023, Grant Thornton Australia are no longer the auditors of a significant subsidiary.

ITEM 16G: Corporate Governance

As a foreign private issuer, we are permitted under Nasdaq Rule 5615(a)(3) to follow Israeli corporate governance practices instead of the Nasdaq corporate governance rules, provided we disclose which requirements we are not following and the equivalent Israeli requirement. We must also provide the Nasdaq Global Select Market with a letter from outside counsel in our home country, Israel, certifying that our corporate governance practices are not prohibited by Israeli law.

We rely on this "home country practice exemption" with respect to the quorum requirement for shareholder meetings. Whereas under the listing rules of the Nasdaq Stock Market, a quorum requires the presence, in person or by proxy, of holders of at least 33 1/3% of the total issued outstanding voting power of our shares at each general meeting of shareholders, pursuant to our articles of association, and as permitted under the Companies Law, the quorum required for a general meeting of shareholders consists of at least two shareholders present in person or by proxy in accordance with the Companies Law, who hold or represent at least 331/3% of the total outstanding voting power of our shares, except if (i) any such general meeting of shareholders was initiated by and convened pursuant to a resolution adopted by the board of directors and (ii) at the time of such general meeting, we qualify to use the forms and rules of a "foreign private issuer," the requisite quorum will consist of two or more shareholders present in person or by proxy who hold or represent at least 25% of the total outstanding voting power of our shares (and if the meeting is adjourned for a lack of quorum, the quorum for such adjourned meeting will be, subject to certain exceptions, any number of shareholders).

We comply with the Nasdaq corporate governance rules requiring that listed companies have a majority of independent directors and maintain a compensation and nominating committee composed entirely of independent directors. We are also subject to Israeli corporate governance requirements applicable to companies incorporated in Israel whose securities are listed for trading on a stock exchange outside of Israel. Finally, unlike Nasdaq rules, which requires listed issuers to make annual reports on Form 20-F available to shareholders in one of a number of specific manners, Israeli law does not require us to distribute such reports directly to shareholders, and the generally accepted business practice in Israel is not to distribute such reports to shareholders but to make such reports available through a public website. In addition, we will make our annual report on Form 20-F containing audited financial statements available to our shareholders at our offices (in addition to a public website).

We may in the future provide the Nasdaq Global Select Market with an additional letter or letters notifying the organization that we are following our home country practices, consistent with the Companies Law and practices, in lieu of other requirements of Nasdaq Rule 5600.

ITEM 16H: Mine Safety Disclosures

Not applicable.

ITEM 16I: Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

ITEM 16J. Insider Trading Policies

Not applicable.

ITEM 16K. Cybersecurity

Cybersecurity Risk Management and Strategy

We have developed and implemented a cybersecurity risk management program intended to protect the confidentiality, integrity, and availability of our critical systems and information.

Our program's design is based on the NIST (National Institute of Standards and Technology framework). This does not imply that we meet any particular technical standards, specifications, or requirements, but only that we use the NIST cyber security framework (CSF) as a guide to help us identify, assess, and manage cybersecurity risks relevant to our business, and in its design was aided by external advisors experts in the field.

Our cybersecurity risk management program shares common methodologies, reporting channels and governance processes that apply across the enterprise to other legal, compliance, strategic, operational, and financial risk areas.

Our cybersecurity risk management program includes:

- risk assessments designed to help identify material cybersecurity risks to our critical systems, information, products, services, and our broader enterprise IT environment;
- a security team principally responsible for managing our cybersecurity risk assessment processes, our security controls, and our response to cybersecurity incidents;
- the use of external service providers, where appropriate, to assess, test or otherwise assist with aspects of our security controls;
- cybersecurity awareness training of our employees, incident response personnel, and senior management;
- a cybersecurity incident response plan that includes procedures for responding to cybersecurity incidents; and
- a third-party risk management process for service providers, suppliers, and vendors.

We have not identified risks from known cybersecurity threats, including as a result of any prior cybersecurity incidents, that have materially affected or are reasonably likely to materially affect us, including our operations, business strategy, results of operations, or financial condition.

Cybersecurity Governance

Our board of directors considers cybersecurity risk as part of its risk oversight function and has delegated to the Audit Committee oversight of cybersecurity and other information technology risks, among other, via the internal audit plan. The audit committee oversees management's activities to address the cybersecurity risk.

The board of directors and our audit committee receive reports from management and internal auditor on our cybersecurity risks. In addition, management updates the audit committee, as necessary, regarding any material cybersecurity incidents, as well as any incidents with lesser impact potential. In addition, they periodically receive briefings from management on our cyber security activities and incidents.

Our cybersecurity management team, includes our CEO, CFO, CIO, CSIO, General Counsel and Director of IT Infrastructure, is convening on a quarterly basis and is responsible for assessing and managing our material risks from cybersecurity threats. The team has primary responsibility for our overall cybersecurity risk management program and supervises both our internal cybersecurity personnel and our retained external cybersecurity consultants. Our cybersecurity management team's skills and experience cover the areas of management, finance, investor relations, legal, Information Systems and Infrastructure and cyber security.

Our cybersecurity management team supervises efforts to prevent, detect, mitigate, and remediate cybersecurity risks and incidents through various means, which may include briefings from internal security personnel; threat intelligence and other information obtained from governmental, public or private sources, including external consultants engaged by us; and alerts and reports produced by security tools deployed in the IT environment.

PART III

ITEM 17: Financial Statements

Not applicable.

ITEM 18: Financial Statements

See Financial Statements included at the end of this report.

ITEM 19: Exhibits

INDEX OF EXHIBITS

Number	Description
1.1	Articles of Association of the Registrant, as amended
1.2	Memorandum of Association of the Registrant (1) ∞
2.1	Description of the Registrant's Securities.
4.1	Land Purchase Agreement and Leaseback, by and between Kibbutz Sdot-Yam and the Registrant, dated March 31, 2011 (2) ∞
4.2	Addendum, dated February 13, 2012 to the Land Purchase Agreement and Leaseback, by and between Kibbutz Sdot-Yam and the Registrant, dated March 31, 2011 (2) ∞
4.4	2011 Incentive Compensation Plan, as Amended (3)
4.5	2020 Share Incentive Plan (4)
4.6	Form of Letter of Exemption and Indemnification (5)
4.7	Land Use Agreement, by and between Kibbutz Sdot-Yam and the Registrant, dated July 20, 2011 (2) ∞
4.8	Addendum, dated February 13, 2012, to the Land Use Agreement, by and between Kibbutz Sdot-Yam and the Registrant, dated July 20, 2011 (2) ∞
4.9	Manpower Agreement, by and between Kibbutz Sdot-Yam and the Registrant, dated July 20, 2011 (2) ∞
4.10	Services Agreement, by and between Kibbutz Sdot-Yam and the Registrant, dated October 2021 (6) ∞
4.11	Management Services Agreement, by and between Tene Growth Capital 3 Funds Management Company Ltd. and the Registrant, dated November 2021 (7)
4.12	Reimbursement Agreement, dated January 4, 2012, by and between the Registrant and Kibbutz Sdot-Yam (2) ∞
4.13	Amended and Restated Compensation Policy of Caesarstone Ltd.
8.1	List of Subsidiaries of the Registrant
12.1	Certification of Principal Executive Officer required by Rule 13a-14(a) and Rule 15d-14(a) (Section 302 Certifications)
12.2	Certification of Principal Financial Officer required by Rule 13a-14(a) and Rule 15d-14(a) (Section 302 Certifications)
13.1	Certification of Principal Executive Officer and Principal Financial Officer required by Rule 13a-14(b) and Rule 15d-14(b) (Section 906 Certifications), furnished herewith
15.1	Consent of Kost Forer Gabbay & Kasierer (a member of Ernst & Young Global)
15.2	Consent of Grant Thornton Audit Pty Ltd.
15.3	Consent of Freedonia Custom Research, a division of Marketresearch.com INC.
97.1	Caesarstone Ltd. Compensation Recovery Policy

101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Label Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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(1) Previously filed with the Securities and Exchange Commission on March 6, 2012 as Exhibit 3.1 to the Company's registration statement on Form F-1/A (File No. 333-179556) and incorporated by reference herein.

(2) Previously filed with the Securities and Exchange Commission on February 16, 2012 pursuant to a registration statement on Form F-1 (File No. 333-179556) and incorporated by reference herein.

(3) Previously filed with the Securities and Exchange Commission on March 7, 2016 pursuant as Exhibit 4.5 to the Company's annual report on Form 20-F for the year ended December 31, 2015 and incorporated by reference herein.

(4) Previously filed with the Securities and Exchange Commission on December 23, 2020 as Exhibit 99.1 to the Company's Registration Statement on Form S-8 (File No. 333-251642) and incorporated by reference herein.

(5) Previously filed with the Securities and Exchange Commission on October 13, 2021 as Exhibit 99.1 to the Company's current report on Form 6-K and incorporated by reference herein.

(6) Previously filed with the Securities and Exchange Commission on March 15, 2022 pursuant as Exhibit 4.10 to the Company's annual report on Form 20-F for the year ended December 31, 2021 and incorporated by reference herein.

(7) Previously filed with the Securities and Exchange Commission on March 15, 2022 pursuant as Exhibit 4.11 to the Company's annual report on Form 20-F for the year ended December 31, 2021 and incorporated by reference herein

* Portions of this exhibit were omitted, and a complete copy of each agreement was provided separately to the Securities and Exchange Commission pursuant to the Company's application requesting confidential treatment under Rule 24b-2 under the Exchange Act, which was subsequently approved by the SEC.

** Certain confidential information contained in this document, marked by brackets, was omitted because it is both (i) not material and (ii) would likely cause competitive harm to the Company if publicly disclosed. "(***)" indicates where the information has been omitted from this exhibit

∞ English translation of original Hebrew document

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Caesarstone Ltd.

By:/s/ Yosef (Yos) Shiran
Yosef (Yos) Shiran
Chief Executive Officer

Date: March 6, 2024

CAESARSTONE LTD. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2023

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Kost Forer Gabbay & Kasierer
144 Menachem Begin Road, Building A,
Tel-Aviv 6492102, Israel

Tel: +972-3-6232525
Fax: +972-3-5622555
ey.com

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Caesarstone Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Caesarstone Ltd. (and subsidiaries) (the Company) as of December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, based on our audits and the report of other auditors, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

We did not audit the financial statements of Caesarstone Australia Pty Ltd., a wholly-owned subsidiary, which reflect total assets of constituting 11% at December 31, 2022, and total revenues constituting 17% 2022 and 18% in 2021 of the related consolidated totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Caesarstone Australia Pty Ltd., is based solely on the report of the other auditors.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated March 6, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Provision for bodily injury claims related to exposure to silica dust

Description of the matter	As described in note 11 to the consolidated financial statements, the Company is subject to numerous claims mainly by fabricators, their employees or the National Insurance Institute ("NII"), alleging that fabricators contracted illnesses, including silicosis, through exposure to silica particles during cutting, polishing, sawing, grinding, breaking, crushing, drilling, sanding or sculpting Company's products. The Company recognized a provision in relation to Silicosis claims when an unfavorable outcome was probable and the amount of the loss could be reasonably estimated. In order to determine the liability amount, the Company consults with legal counsels. Auditing the Company's provision of the Silicosis claims was complex due to the significant estimation required in determining the Company's liability amount of $26 million. The estimate of the provision involved significant estimation uncertainty primarily due to the different stages of legal claims and the probability of loss, which in turn led to a high degree of auditor judgment and effort in performing procedures and evaluating management's conclusions related to these legal claims.
How we addressed the matter in our audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of internal controls over the provision of the Silicosis claims, including management's assessment of the assumptions and data underlying the provision valuation. To evaluate the Company's assessment of the probability of incurrence of a loss and whether the loss was reasonably estimated, among other procedures, we read the minutes of the meeting of the committees of the board of directors and gained an understanding of the claims by inquiring of the external and internal legal counsels regarding the allegations. We also obtained external and internal legal counsels confirmation letters as well as a management representation letter. Our substantive procedures also included testing the accuracy, completeness and reasonableness of the underlying data used in management's provision assessment and attending meetings between management and legal counsels to determine a range of reasonably possible loss. We tested management's assumptions by comparing prior period's estimates versus actual prior period's results and evaluating events occurring up to date of the auditor's report. We also inquired the legal counsels regarding the likelihood of the outcome of the claims and evaluated the Company's legal contingency disclosures included in Note 11 to the consolidated financial statements.

Impairment of long-lived assets of Richmond Hill production facility

Description of the matter	As reflected in the Company's consolidated financial statements, in Note 2k, as of December 31, 2023, the Company's recorded an impairment charge of $27.5 Million for Long lived assets related to Richmond hill production facility. Management identified the closure of its production facility in Richmond hill were indicators for impairment. Consequently, Management performed an impairment test of the long-lived assets of Richmond Hill production facility. Auditing the Company's impairment test for long-lived assets of Richmond Hill production facility was complex and judgmental due to the significant estimation and assumptions in determining the fair value of the long-lived assets. In particular, management's significant assumptions used in determining the fair value of long-lived assets of Richmond Hill production facility included estimation of the fair value for a unit of equipment (machine, storage facility, etc.), land and building, according to the age of the assets and its condition. Management estimated the equipment value according to accepted equipment prices in the relevant market (local or international market). Land and building value estimated in comparison with sale of same type of properties in the area and the anticipated future benefit from the use of the property. These assumptions are sensitive and affected by the specific market and industry qualitive factors.
How we addressed the matter in our audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's long-lived assets impairment assessment process. Among other, we tested controls over management's review of the significant assumptions in estimating the fair value of the long-lived assets of Richmond Hill production facility of the Company. To test the estimated fair value of the long-lived assets of Richmond Hill production facility, our audit procedures included, among others, understanding the company's valuation process, using a professional with specialized skills and knowledge to review the valuation of the equipment, and specialist to review the valuation land and building, understand the work assumptions and the selected data used as part of the assessment. In addition, we performed a sensitivity analysis using independent comparative calculation to estimate the fair value of the long-lived assets of the Richmond Hill production facility. We also evaluated the related disclosures for long lived assets included in Notes 2k, 6 and 10 to the consolidated financial statements.

/s/KOST FORER GABBAY & KASIERER
A Member of EY Global

We have served as the Company's auditor since 2004

Tel-Aviv, Israel
March 6, 2024

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Caesarstone Ltd.

Opinion on Internal Control over Financial Reporting

We have audited Caesarstone Ltd. and subsidiaries' internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission 2013 framework (the COSO criteria). In our opinion, Caesarstone Ltd. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes and our report dated March 6, 2023 expressed an unqualified opinion thereon, based on our audit and the report of the other auditors.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/KOST FORER GABBAY & KASIERER
A Member of EY Global

Tel-Aviv, Israel
March 6, 2024

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	Note	December 31, 2023	December 31, 2022
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		$ 54,623	$ 52,081
Short-term bank deposits		36,500	-
Short-term available for sale marketable securities	3	-	7,077
Trade receivables (net of allowance for credit loss of $12,214 and $9,756 at December 31, 2023 and 2022, respectively)		66,888	77,898
Other accounts receivable and prepaid expenses	4	25,489	32,570
Inventories	5	136,446	238,232
Total current assets		319,946	407,858
LONG-TERM ASSETS:			
Severance pay fund		1,994	3,410
Deferred tax assets, net	12	3,061	16,251
Long-term deposits and other	14	4,961	3,255
Property, plant and equipment, net	6	123,480	169,292
Operating lease right-of-use assets	10	120,156	144,098
Intangible assets, net	7	6,257	8,817
Total long-term assets		259,909	345,123
Total assets		$ 579,855	$ 752,981

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

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands (except share data)

	Note	December 31, 2023	December 31, 2022
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank credit and current maturities of long- term bank loan	8	$ 5,118	$ 26,135
Trade payables		42,848	62,194
Related party	14	257	283
Short term legal settlements and loss contingencies	11	16,106	17,595
Accrued expenses and other liabilities	9	56,894	58,777
Total current liabilities		121,223	164,984
LONG-TERM LIABILITIES:			
Long-term loan from related parties	14	479	483
Long-term bank loan	15	2,070	4,340
Accrued severance pay		3,065	4,750
Deferred tax liabilities, net	12	3,006	4,288
Long-term warranty provision		1,204	1,262
Long term legal settlements and loss contingencies	11	11,814	19,572
Long-term operating lease liabilities	10	114,146	124,353
Total long-term liabilities		135,784	159,048
COMMITMENTS AND CONTINGENT LIABILITIES	11		
REDEEMABLE NON-CONTROLLING INTEREST	1,2	7,789	7,903
EQUITY:	13		
Share capital-			
Ordinary shares of NIS 0.04 par value - 200,000,000 shares authorized at December 31, 2023 and 2022; 35,635,548 and 35,610,399 issued at December 31, 2023 and 2022, respectively; 34,532,452 and 34,507,303 shares outstanding at December 31, 2023 and 2022, respectively		371	371
Additional paid-in capital		164,456	163,431
Capital fund related to non-controlling interest		(5,587)	(5,587)
Accumulated other comprehensive loss, net		(8,402)	(9,578)
Retained earnings		203,651	311,839
Treasury shares at cost – 1,103,096 ordinary shares at December 31, 2023 and 2022		(39,430)	(39,430)
Total equity		315,059	421,046
Total liabilities and equity		579,855	752,981

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

CONSOLIDATED STATEMENTS OF INCOME

U.S. dollars in thousands (except per share data)

	Year ended December 31,		
	2023	**2022**	**2021**
Revenues	$ 565,231	$ 690,806	$ 643,892
Cost of revenues	473,292	527,561	472,394
Gross profit	91,939	163,245	171,498
Operating expenses:			
Research and development	5,086	4,098	4,216
Selling and marketing	82,222	94,412	85,725
General and administrative	49,490	51,596	50,845
Impairment and restructuring expenses related to goodwill and long lived assets	47,939	71,258	-
Legal settlements and loss contingencies, net	(4,770)	568	3,283
Total operating expenses	179,967	221,932	144,069
Operating income (loss)	(88,028)	(58,687)	27,429
Finance expenses (income), net	(1,069)	(3,079)	7,590
Income (loss) before taxes on income	(86,959)	(55,608)	19,839
Taxes on income	21,281	758	1,950
Net income (loss)	$ (108,240)	$ (56,366)	$ 17,889
Net income (loss) attributable to non-controlling interest	(584)	688	(1,077)
Net income (loss) attributable to controlling interest	$ (107,656)	$ (57,054)	$ 18,966
Basic and diluted net income (loss) per share of Ordinary shares	$ (3.13)	$ (1.66)	$ 0.51
Weighted average number of Ordinary shares used in computing basic income (loss) per share (in thousands)	34,519	34,488	34,462
Weighted average number of Ordinary shares used in computing diluted income (loss) per share (in thousands)	34,519	34,488	34,570

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

U.S. dollars in thousands

	Year ended December 31,		
	2023	**2022**	**2021**
Net income (loss)	$ (108,240)	$ (56,366)	$ 17,889
Other comprehensive income (loss) before tax:			
Foreign currency translation adjustments	38	(8,932)	(2,186)
Unrealized income (loss) on foreign currency cash flow hedge	764	(699)	329
Unrealized income (loss) on available for sale marketable securities	100	(84)	(59)
Income tax expense related to components of other comprehensive loss	212	(11)	(26)
Total other comprehensive income (loss), net of tax	1,114	(9,726)	(1,942)
Comprehensive income (loss)	(107,126)	(66,092)	15,947
Less - comprehensive loss attributable to non-controlling interest	646	164	1,232
Comprehensive income (loss) attributable to controlling interest	$ (106,480)	$ (65,928)	$ 17,179

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

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

U.S. dollars in thousands (except share data)

	Common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss), net (1)	Capital fund related to non-controlling interest	Treasury shares	Total equity
	Shares	Amount						
Balance as of January 1, 2021	34,437,296	371	160,083	370,830	1,083	(5,587)	(39,430)	487,350
						-		
Other comprehensive loss	-	-	-	-	(1,787)	-	-	(1,787)
Net income attributable to controlling interest	-	-	-	18,966	-	-	-	18,966
Equity-based compensation expense (2)	-	-	1,846	-	-	-	-	1,846
Adjustment to redemption value of the non-controlling interest	-	-	-	(1,399)	-	-	-	(1,399)
Dividend paid	-	-	-	(10,681)	-	-	-	(10,681)
Cashless exercise of options and RSUs	35,774	(*)	(*)	-	-	-	-	-
Balance as of December 31, 2021	34,473,070	371	161,929	377,716	(704)	(5,587)	(39,430)	494,295
						-		
Other comprehensive loss	-	-	-	-	(8,874)	-	-	(8,874)
Net loss attributable to controlling interest	-	-	-	(57,054)	-	-	-	(57,054)
Equity-based compensation expense (2)	-	-	1,502	-	-	-	-	1,502
Adjustment to redemption value of the non-controlling interest	-	-	-	(198)	-	-	-	(198)
Dividend paid	-	-	-	(8,625)	-	-	-	(8,625)
Cashless exercise of options and RSUs	34,233	(*)	(*)	-	-	-	-	-
Balance as of December 31, 2022	34,507,303	371	163,431	311,839	(9,578)	(5,587)	(39,430)	421,046
						-		
Other comprehensive income	-	-	-	-	1,176	-	-	1,176
Net loss attributable to controlling interest	-	-	-	(107,656)	-	-	-	(107,656)
Equity-based compensation expense (2)	-	-	1,025	-	-	-	-	1,025
Adjustment to redemption value of the non-controlling interest	-	-	-	(532)	-	-	-	(532)
Cashless exercise of options and RSUs	25,149	(*)	(*)	-	-	-	-	-
Balance as of December 31, 2023	34,532,452	371	164,456	203,651	(8,402)	(5,587)	(39,430)	315,059

(1) Accumulated other comprehensive income (loss), net, comprised of foreign currency translation, hedging transactions and marketable securities.
(2) See also Note 13.
(*) Less than $1.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,		
	2023	**2022**	**2021**
Cash flows from operating activities:			
Net income (loss)	$ (108,240)	$ (56,366)	$ 17,889
Adjustments required to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	30,007	36,344	35,407
Share-based compensation expense	1,025	1,502	1,846
Accrued severance pay, net	(268)	(58)	121
Changes in deferred tax, net	11,905	(5,693)	(4,473)
Capital loss (gain) from sale of property, plant and equipment	18	67	(3)
Decrease in trade receivables	11,760	2,612	815
Decrease (increase) in other accounts receivable and prepaid expenses	8,145	3,645	(9,036)
Decrease (increase) in inventories	101,549	(40,884)	(54,189)
Increase (decrease) in trade payables	(29,465)	(21,032)	28,277
Increase in warranty provision	(165)	(119)	112
Legal settlements and loss contingencies, net	(4,770)	568	3,283
Decrease in right of use assets	7,865	28,056	25,906
Decrease in lease liabilities	(9,516)	(36,478)	(22,085)
Contingent consideration related to acquisition	264	120	(288)
Amortization of premium and accretion of discount on marketable securities, net	63	238	412
Changes in accrued interest related to marketable securities	39	74	42
Goodwill and long-lived assets impairment charges	47,939	71,258	-
Decrease in accrued expenses and other liabilities including related party	(1,626)	(7,165)	(3,352)
Net cash (used in) provided by operating activities	66,529	(23,311)	20,684
Cash flows from investing activities:			
Net cash paid for acquisitions	-	(2,245)	-
Investment in short-term deposits	(36,500)	-	-
Purchase of property, plant and equipment	(11,168)	(17,801)	(31,477)
Proceeds from sale of property, plant and equipment	177	12	9
Repayment of assumed shareholders loan related to acquisition	-	-	(1,966)
Investment in marketable securities	-	-	(11,738)
Sale and maturity of marketable securities	7,100	12,401	10,395
Proceeds from (investment in) long-term deposits	(135)	348	(108)
Net cash used in investing activities	(40,526)	(7,285)	(34,885)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,		
	2023	2022	2021
Cash flows from financing activities:			
Dividend paid	$ -	$ (8,625)	$ (10,681)
Proceeds (repayment) of short-term bank credit and loans, net	(23,268)	18,640	(11,761)
Contingent and deferred considerations related to acquisition	(511)	-	(1,492)
Repayment of a financing liability of land	-	(859)	(1,320)
Net cash used in financing activities	(23,779)	9,156	(25,254)
Effect of exchange rate differences on cash and cash equivalents	318	(794)	(478)
Increase (decrease) in cash and cash equivalents	2,542	(22,234)	(39,933)
Cash and cash equivalents at beginning of year	52,081	74,315	114,248
Cash and cash equivalents at end of year	$ 54,623	$ 52,081	$ 74,315
Cash received (paid) during the year for:			
Interest paid	$ (716)	$ (1,159)	$ (1,915)
Interest received	$ 849	$ 439	$ 465
Tax paid	$ (1,852)	$ (4,968)	$ (7,377)
Non cash activity during the year for:			
Changes in trade payables balances related to purchase of property, plant and equipment	$ 188	$ (925)	$ (56)
Operating lease liabilities and right-of-use assets	$ 19,364	$ 18,569	$ 57,343

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

NOTE 1:- GENERAL

a. General:

Caesarstone Ltd. incorporated under the laws of the State of Israel, was founded in 1987.

Caesarstone Ltd. and its subsidiaries (collectively, the "Company" or "Caesarstone") develop, manufacture and market, high quality engineered stone and other materials sold under the Company's premium Caesarstone brand. The Company's products are sold in over 60 countries through a combination of direct sales in certain markets and indirectly through a network of independent distributors in other markets. The Company's products are primarily used as kitchen countertops in the renovation and remodeling markets and in the new buildings' construction market. Other applications include vanity tops, wall panels, back splashes, floor tiles, stairs and other interior surfaces that are used in a variety of residential and non-residential applications.

The Company has subsidiaries in Australia, Singapore, Canada, United Kingdom, Sweden, India and the United States which are engaged in the manufacturing, marketing and selling of the Company's products in different geographic areas.

The Company currently manufactures its engineered surfaces in two manufacturing facilities located in Bar-Lev Industrial Park in northern Israel and in Morbi, India, through its subsidiary (see also b below).

b. Acquisition of Lioli Ceramica Pvt Ltd:

On October 5, 2020, the Company completed the acquisition of 55% of the shares of Lioli Ceramica Pvt Ltd ("Lioli"), a producer of porcelain countertop slabs in the total net consideration of $13,574.

The consideration included a contingent consideration arrangement that requires the Company to pay up to approximately $10,000 of additional consideration to Lioli's minority shareholders subject to reaching certain EBITDA achievement. The fair value of the contingent consideration arrangement at the acquisition date was $1,492. During 2021 the criteria was partially met, and an additional related consideration amount of approximately $1,780 paid during 2021.

As part of the agreement, the Company granted Lioli's minority shareholders a put option and Lioli's minority shareholders granted the Company a call option for its interest, each exercisable any time after April 1, 2024 and before the 20th anniversary of the acquisition date based on a mechanism as set forth in the agreement between the parties.

NOTE 1:- GENERAL (Cont.)

During March 2022, the Company participated in rights offering in Lioli, and purchased additional 9,870,000 shares in amount of approximately $2.5 million. Following this offering, the Company holds 60.4% of Lioli's shares.

As of December 31, 2023 and 2022, the Company revaluated its minority’s Put Option, in accordance with ASC 820 "Fair Value Measurements and Disclosures", at level 3, and based on it the non-controlling interest fair value in Lioli amounted to $7,789 and to $7,903, respectively.

c. Acquisition of Omicron Supplies, LLC:

On December 31, 2020, the Company, through its fully owned U.S. subsidiary, completed the acquisition of 100% of the shares of Omicron Supplies, LLC ("Omicron"), a stone supplier in the U.S., for a total net cash consideration of $18,830.

NOTE 1:- GENERAL (Cont.)

d. Acquisition of Magrab Naturtsen AB:

On July 6, 2022, the Company completed the acquisition of 100% of the shares of Magrab Naturtsen AB ("Magrab"), a stone supplier in Sweden, for a total net consideration of approximately $3,109.

The consideration included a deferred consideration arrangement that requires the Company to pay up to approximately SEK 10,500 (approximately $1,000) of additional consideration to Magrab's former shareholder to be paid during two years following the acquisition date. The fair value of the deferred consideration arrangement at the acquisition date was $875. The acquisition agreement included additional consideration in a form of an earn-out arrangement with Magrab's former shareholder, that requires the Company to pay up to approximately SEK 4,000 (approximately $380) of additional amounts subject to reaching certain Revenues and EBITDA achievements during two years following the acquisition date. In order to receive the earn-out payments Magrab's former shareholder have to remain as a full-time employee of the Company at the expiry of the earn-out periods, and therefore this earn-out arrangement does not meet the contingent consideration under ASC805 "Business Combinations".

The Magrab acquisition was accounted for as a business combination in accordance with ASC 805 "Business Combinations".

The following table summarizes the purchase price allocation of Magrab Acquisition at the acquisition date:

Components of Purchase Price:	
Cash	$ 2,607
Deferred consideration	875
Less: Cash acquired	373
Net for allocation	3,109
Allocation of Purchase Price:	
Net tangible assets (liabilities):	
Trade receivables and other current assets, net	524
Property, plant and equipment, net	41
Inventories, net	1,233
ROU assets	446
Trade payables	(523)
Accrued expenses and other liabilities	(378)
Short-term lease liability	(22)
Long-term lease and other non-current liabilities	(424)
Total net tangible assets	897
Identifiable intangible assets:	
Customer relationships (1)	1,789
Deferred tax liabilities	(369)
Total identifiable intangible assets acquired	1,420
Goodwill (2)	792
Total purchase price allocation	$ 3,109

NOTE 1:- GENERAL (Cont.)

(1) Customer relationships represent the underlying relationships and agreements with Magrab's customer base. In assessing the value of the Customer Relationships, the Company used an income approach method. The Customer Relationships' economic useful life is estimated at approximately 8 years, amortized using the straight-line method.

(2) The goodwill is primarily attributable to expected synergies resulting from the acquisition.

In 2022, the Company recognized $80 of aggregate acquisition-related costs that were expensed in the consolidated statement of income in general and administrative expenses.

Pro forma results of operations related to this acquisition have not been prepared because they are not material to the Company's consolidated statements of income.

During 2023, the Company paid the first payment for the above mentioned considerations in the amount of approximately SEK 7,250 (approximately $700).

e. Major suppliers:

In 2023, the Company acquired approximately 69% of its minerals (such as quartz) consumption from Turkey, of which approximately 63% was supplied by Mikroman Madencilik San ve TIC.LTD.STI ("Mikroman"), constituting approximately 44% of Company's total minerals, and approximately 32% was supplied by Ekom Eczacibasi Dis Ticaret A.Ş. ("Ekom"), constituting approximately 22% of Company's total minerals. If Mikroman or Ekom cease supplying the Company with minerals or if the Company's supply of minerals generally from Turkey is adversely impacted, the Company's other suppliers may be unable to meet the Company's minerals requirements. In that case, the Company would need to locate and qualify alternate suppliers, which could take time, increase costs and require adjustments to the appearance of the Company's products. As a result, the Company may experience a delay in manufacturing, which could materially and adversely impact the Company's results of operations.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP").

a. Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The Company's management believes that the estimates, judgment and assumptions used are reasonable based upon information available at the time they were made.

b. Financial statements in U.S. dollars:

The Company's revenues are generated in various currencies mainly in U.S. dollars (USD), Australian dollars (AUD) and Canadian dollars (CAD). In addition, most of the Company's costs are incurred in USD, NIS and EUR.

The Company’s management believes that the USD is the primary currency of the economic environment in which the Company operates. Thus, the functional and reporting currency of the Company is the USD.

The functional currency of the Company's foreign subsidiaries is the local currency in which the relevant subsidiary operates.

Accordingly, monetary accounts maintained in currencies other than the USD are re-measured into dollars in accordance with Accounting Standards Codification, "Foreign Currency Matters" (“ASC 830”). All transaction gains and losses resulting from the re-measurement of monetary balance sheet items denominated in non-USD currencies are reflected in the statements of operations as financial income or expenses as appropriate.

The financial statements of the Company’s subsidiaries of which the functional currency is not the USD have been translated into the USD. All amounts on the balance sheets have been translated into the USD using the exchange rates in effect on the relevant balance sheet dates. All amounts in the statements of income have been translated into the USD using the monthly average exchange rate in accordance with ASC 830. The resulting translation adjustments are reported as a component of accumulated other comprehensive income (loss), net in shareholders' equity.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly and majority-owned subsidiaries (see also Note 1). Inter-company transactions and balances, including profit from inter-company sales not yet realized outside of the Company, have been eliminated upon consolidation.

d. Cash equivalents:

Cash equivalents are short-term highly liquid investments that are readily convertible to cash with original maturities of three months or less at the date acquired.

e. Short-term bank deposits:

Short-term bank deposits are deposits with original maturities of more than three months but less than one year. Short-term bank deposits are presented at their cost, which approximates their fair value.

f. Marketable securities:

Marketable securities consist of corporate and governmental bonds. The Company determines the appropriate classification of marketable securities at the time of purchase and re-evaluates such designation at each balance sheet date. In accordance with FASB ASC No. 320 “Investments - Debt Securities”, the Company classifies marketable securities as available-for-sale ("AFS").

Available-for-sale securities are stated at fair value, with unrealized gains and losses reported in accumulated other comprehensive income (loss), a separate component of stockholders’ equity, net of taxes.

Realized gains and losses on sales of marketable securities, as determined on a specific identification basis, are included in financial income (expenses), net. The amortized cost of marketable securities is adjusted for amortization of premium and accretion of discount to maturity, both of which, together with interest, are included in financial income (expenses), net.

The Company classifies its marketable securities as either short-term or long-term based on each instrument’s underlying contractual maturity date. Marketable securities with maturities of 12 months or less are classified as short-term and marketable securities with maturities greater than 12 months are classified as long-term.

The Company assessed AFS debt securities with an amortized cost basis in excess of estimated fair value to determine what amount of that difference, if any, is caused by expected credit losses in accordance with ASC 326. Allowance for credit losses on AFS debt securities are recognized as a charge of credit loss expenses (income), net, on the consolidated statements of comprehensive income, and any remaining unrealized losses, net of taxes, are included in accumulated other comprehensive income (loss) in stockholders' equity. The Company did not record credit loss allowance on its marketable securities during the year ended December 31, 2023 and 2022.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

g. Derivatives:

ASC 815, "Derivative and Hedging" ("ASC 815"), requires companies to recognize all of their derivative instruments as either assets or liabilities in the statement of financial position at fair value.

For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge or a hedge of a net investment in a foreign operation.

Derivative instruments designated as hedging instruments:
For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same period during which the hedged transaction affects earnings.

The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item, if any, is recognized in current earnings during the period of change. For derivative instruments not designated as hedging instruments, the gain or loss is recognized in current earnings during the period of change.

To hedge against the risk of overall changes in cash flows resulting from foreign currency salary and other recurring payments during the periods, the Company has instituted a foreign currency cash flow hedging program.

These forward contracts are designated as cash flow hedges, as defined by ASC 815, and are all effective, as their critical terms match the underlying transactions being hedged.

As of December 31, 2023 and 2022, the notional amount of these forward contracts into which the Company entered was $21,162, and $41,699, respectively, and the unrealized income recorded in accumulated other comprehensive income, net, from the Company's currency forward NIS transactions was $0 and $333, respectively.

Derivative instruments not designated as hedging instruments:
In addition to the derivatives that are designated as hedges as discussed above, the Company enters into certain foreign exchange forward and options contracts to limit its exposure to foreign currencies. In addition, the Company entered into derivative instruments to partially manage its exposure to movements associated with the Styrene prices.

Gains and losses related to such derivative instruments are recorded in financial expenses, net. At December 31, 2023 and 2022, the notional amount of foreign exchange and styrene forward and option contracts into which the Company entered was $0 and $13,247, respectively.

The foreign exchange forward contracts will expire at various times through 2024.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The following tables present fair value amounts of, and gains and losses recorded in relation to, the Company's derivative instruments and related hedged items:

	Balance sheet	Fair value of derivative instruments	
		Year ended December 31,	
		2023	2022
Derivative assets:			
Derivatives designated as hedging instruments:			
Foreign exchange option and forward contracts	Other accounts receivable and prepaid expenses	539	39
Derivatives not designated as hedging instruments:			
Foreign exchange option and forward contracts	Other accounts receivable and prepaid expenses	-	333
Total		539	371
Derivative liabilities:			
Derivatives designated as hedging instruments:			
Foreign exchange option and forward contracts	Accrued expenses and other liabilities	-	(450)
Derivatives not designated as hedging instruments:			
Foreign exchange option and forward contracts	Accrued expenses and other liabilities	-	(62)
Styrene forward contract	Accrued expenses and other liabilities	-	(430)
Total		-	(942)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The following tables present fair value amounts of, and gains and losses recorded in relation to, the Company's derivative instruments and related hedged items:

	Gain (loss) recognized in other comprehensive income, net		Gain (loss) recognized in statements of income		
	Year ended December 31,		Statements of income	Year ended December 31,	
	2023	2022	Item	2023	2022
Derivatives designated as hedging instruments:					
Foreign exchange forward contract	951	(709)	Cost of revenues and Operating expenses	(3,306)	(2,555)
Derivatives not designated as hedging instruments:					
Foreign exchange forward and options contracts	-	-	Financial expenses, net	1,313	(1,506)
Styrene forward contracts	-	-	Financial expenses, net	113	(520)
Total	951	(709)		(1,880)	(4,581)

h. Inventories:

Inventories are stated at the lower of cost and net realizable value. The Company periodically evaluates the quantities on hand relative to historical and projected sales volumes, aging, current and historical selling prices and contractual obligations to maintain certain levels of raw material quantities. Based on these evaluations, inventory provision is provided to cover risks arising from slow-moving items, discontinued products, excess inventories, net realizable value lower than cost and adjusted revenue forecasts.

Cost is determined as follows:

Raw Materials - cost is determined on a standard cost basis which approximates actual costs on a weighted average basis.

Work-in progress and finished products - are based on standard cost (which approximates actual cost on a weighted average basis) which includes raw materials cost, labor and manufacturing overhead.

Finished goods are stated at the lower of cost and net realizable value.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The following table provides the details of the change in the Company's provision for inventory write-downs:

	December 31,	
	2023	2022
Inventory provision, beginning of year	$ 21,738	$ 16,789
Increase in inventory provision	9,848	11,165
Write off	(4,148)	(6,216)
Inventory provision, end of year	$ 27,438	$ 21,738

i. Property, plant and equipment, net:

1. Property, plant and equipment are stated at cost, net of accumulated depreciation and investment grants.

2. Costs recorded prior to a production line completion are reflected as construction in progress, which are recorded building and machinery assets at the date of purchase. Construction in progress includes direct expenditures for the construction of the production line and is stated at cost. Capitalized costs include costs incurred under the construction contract: advisory, consulting and direct internal costs (including labor) and operating costs incurred during the construction and installation phase.

3. Depreciation is calculated using the straight-line method over the estimated useful life of the assets at the following annual rates:

	%
Machinery and manufacturing equipment	4 - 33 (mainly 10)
Office equipment and furniture	7 - 33 (mainly 7)
Motor vehicles	10 - 30 (mainly 20)
Buildings	4 - 5
Leasehold improvements	Over the shorter of the term of the lease or the life of the asset

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

j. Leases:

The Company determines if an arrangement is a lease at inception and recognize in accordance with ASC 842 “Leases”. Operating leases are included in operating lease right-of-use (“ROU”) assets, other current liabilities and operating lease liabilities in the Company’s consolidated balance sheets.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term.

The Company uses incremental borrowing rates based on the Company's implied credit rating which was based on Moody's Investors Service Rating Methodology for the Building Materials Industry (such credit rating was notched up due to collateralization) at commencement date. The operating lease ROU asset also includes any lease payments made and excludes lease incentives, if any. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expenses for lease payments are recognized on a straight-line basis over the lease term. See also Note 10.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

k. Impairment of long-lived assets:

The Company's long-lived assets (assets group) to be held or used, including right of use assets, tangible and finite-lived intangible assets (other than goodwill), are reviewed for impairment in accordance with ASC 360 "Property, Plant and Equipment" ("ASC 360") whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The Company's evaluation of recoverability is performed at the lowest level of assets group to which identifiable cash flows are largely independent of the cash flows of other asset group. Recoverability of the asset group is measured by a comparison of the aggregate undiscounted future cash flows the asset group is expected to generate to the carrying amounts of the asset group. If such evaluation indicates that the carrying amount of the asset group is not recoverable, an impairment loss is calculated based on the excess of the carrying amount of the asset group over its fair value.

The Company identified indicators for impairment, among others, slow down in demand due to global market conditions, lower production utilization in certain plants, increased inflation and higher interest rates, and the manufacturing facilities closure in Sdot Yam and in Richmond hill. In 2022, the Company recorded an impairment loss for the excess of the book value over its fair value related to Sdot Yam manufacturing facility, in the amount of $26,429. In 2023, the Company recorded an impairment loss for the excess of the book value over its fair value related to US manufacturing facility, in the amount of $27,486 and additional impairment loss related to Sdot Yam manufacturing facility in the amount of $986.

Following the closure of Sdot Yam manufacturing facility during 2023, the Company evaluated it's right of use asset resulted from non-cancelable lease agreement effective through 2032. Based on future estimated sublease the Company recorded an impairment of $16,575 during 2023.

In addition to the recoverability assessment, the Company routinely reviews the remaining estimated useful lives of property and equipment and finite-lived intangible assets. If the Company reduces the estimated useful life assumption for any asset, the remaining unamortized balance would be amortized or depreciated over the revised estimated useful life.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

l. Goodwill:

Goodwill represents the excess of the cost of businesses acquired over the fair value of the net assets acquired in the acquisition. Under ASC 350, "Intangibles-Goodwill and Other" ("ASC 350") goodwill is not amortized but instead is tested for impairment at least annually (or more frequently if impairment indicators arise).

The goodwill impairment test is performed according to the following principles:

(1) An initial qualitative assessment may be performed to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount.

(2) If the Company concludes it is more likely than not that the fair value of the reporting unit is less than its carrying amount, a quantitative fair value test is performed. An impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value is recognized.

The Company performed an annual goodwill impairment test during the fourth quarter of each fiscal year, or more frequently, if an event occurs or circumstances change that would indicate the carrying amount may be impaired. The Company operates as one reporting unit, and concluded that all of the Company's reporting units should be aggregated and deemed as a single reporting unit for the purpose of performing the goodwill impairment test in accordance with ASC 350-20-35-35, since they have similar economic characteristics.

The fair value of the reporting unit was estimated in accordance with . ASC 820, "Fair Value Measurements". The Company applied assumptions that marketplace participants would consider in determining the fair value of its reporting unit.

The process of evaluating the potential impairment of goodwill is subjective and requires significant judgment. Significant estimates used in the fair value methodologies include estimates of future cash flows, future short-term and long-term growth rates and weighted average cost of capital.

As of December 31, 2022, the company performed an impairment test of the goodwill in accordance with ASC350, and recognized a full impairment charge for its goodwill balances in the amount of $44,829. (see also Note 7).

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

m. Warranty:

The Company generally provides a standard (i.e. assurance type) warranty for its products, for various periods, depending on the type of product and the country in which the Company does business. The Company records a provision for the estimated cost to repair or replace products under warranty at the time of sale. Factors that affect the Company's warranty reserve include the number of units sold, historical and anticipated rates of warranty repairs and the cost per repair.

The following table provides the details of the change in the Company's warranty accrual:

	2023	2022
January 1,	$ 2,501	$ 2,680
Charged to costs and expenses relating to new sales	1,289	1,461
Costs of product warranty claims	(1,792)	(1,923)
Foreign currency translation adjustments	360	283
December 31,	2,358	2,501

n. Revenue recognition:

Revenues are recognized in accordance with ASC 606, revenue from contracts with customers when control of the promised goods or services is transferred to the customers, in an amount that the Company expects in exchange for those goods or services.

The Company applies the following five steps in accordance to ASC 606: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when a performance obligation is satisfied.

1. Identify the contract with a customer:

   A contract is an agreement between two or more parties that creates enforceable rights and obligations. In evaluating the contract, the Company analyzes the customer’s intent and ability to pay the amount of promised consideration (credit risk) and considers the probability of collecting substantially all of the consideration. The Company determines whether collectability is probable on a customer-by-customer basis pursuant to various criteria including Company’s historical experience, credit insurance and other inputs.

2. Identify the performance obligations in the contract:

   At a contract’s inception, the Company assesses the goods or services promised in a contract with a customer and identifies the performance obligations. The main performance obligation is a delivery of the Company’s products.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

3. Determine the transaction price:

The Company's products that are sold through agreements with distributors are non-exchangeable, non-refundable, non-returnable and without any rights of price protection or stock rotation. Accordingly, the Company considers all the distributors to be end-consumers.

For certain revenue transactions with specific customers, the Company is responsible also for the fabrication and installation of its products. The Company recognizes such revenues upon receipt of acceptance evidence from the end consumer which occurs upon completion of the installation.

Although, in general, the Company does not grant rights of return, there are certain instances where such rights are granted. The Company maintains a provision for returns in accordance with ASC 606, which is estimated, based primarily on historical experience as well as management judgment, and is recorded through a reduction of revenue.

The Company has elected to apply the practical expedient such that it does not evaluate payment terms of one year or less for the existence of a significant financing component.

4. Allocate the transaction price to the performance obligations in the contract:

The majority of the Company's revenues are sales of goods, therefore there is one main performance obligation that absorbs the transaction price.

5. Recognize revenue when a performance obligation is satisfied:

Revenue is recognized when or as performance obligations are satisfied by transferring control of a promised good or service to a customer. Control transfers at a point in time, which affects when revenue is recorded. The majority of Company's revenues deriving from sales of products which are recognized when control is transferred.

o. Research and development costs:

Research and development costs are charged to the statement of income as incurred.

p. Income taxes:

The Company and its subsidiaries account for income taxes in accordance with ASC 740, "Income Taxes" ("ASC 740"). This statement prescribes the use of the liability method whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company accounts for its uncertain tax positions in accordance with ASC 740-10. ASC 740-10 contains a two-step approach to recognizing and measuring uncertain tax positions accounted for in accordance with ASC 740. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. The Company classifies interest and penalties on income taxes as taxes on income.

q. Advertising expenses:

Advertising costs are expensed as incurred. Advertising expenses for the years ended December 31, 2023, 2022 and 2021 were $15,726, $14,777 and $15,307, respectively.

r. Concentrations of credit risk:

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, marketable securities and trade receivables. The Company's cash and cash equivalents are invested primarily in USD, mainly with major banks in Israel.

The Company's debt marketable securities include investments in highly-rated corporate debentures (located mainly in U.S.) and governmental bonds. The financial institution that holds the Company's debt marketable securities is a major financial institution located in the United States. The Company believes that its marketable securities portfolio is a diverse portfolio of highly-rated securities and the Company's investment policy limits the amount the Company may invest in an issuer (see Note 2f).

The Company's trade receivables are derived from sales to customers located mainly in the United States, Australia, Canada, Israel and Europe. The Company performs ongoing credit evaluations of its customers and to date has not experienced any substantial losses. In certain circumstances, the Company requires letters of credit or prepayments. An allowance for credit losses is provided with respect to specific receivables that the Company has determined to be doubtful of collection. For those receivables not specifically reviewed, provisions are recorded, based upon the age of the receivable, the collection history, current economic trends and management estimates of future economic conditions.

No customer represented 10% or more of the Company’s total accounts receivables, net as of December 31, 2023 and 2022.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The following table provides the detail of the change in the Company's allowance for credit loss:

	2023	2022
January 1,	$ 9,756	$ 9,036
Charges to expenses	3,654	2,141
Write offs	(1,158)	(1,144)
Foreign currency translation adjustments	(38)	(277)
December 31,	$ 12,214	$ 9,756

s. Severance pay:

The Company's liability for severance pay, with respect to its Israeli employees, is calculated pursuant to Israeli severance pay law and employee agreements based on the most recent salary of the employees. The Company's liability for all of its Israeli employees is provided for by monthly deposits with insurance policies and by an accrual. The value of these policies is recorded as an asset on the Company's balance sheet.

The deposited funds include profits or losses accumulated up to the balance sheet date. The deposited funds may be withdrawn only upon the fulfillment of the obligations pursuant to Israeli severance pay law or labor agreements.

Majority of the agreements with employees specifically state, in accordance with section 14 of the Severance Pay Law, 1963 ("Section 14"), that the Company's contributions for severance pay shall be instead of severance compensation and that upon release of the policy to the employee, no additional calculations shall be conducted between the parties regarding the matter of severance pay and no additional payments shall be made by the Company to the employee.

Further, since the Company has signed agreements with its employees under Section 14, the related obligation and amounts deposited on behalf of such obligation are not stated on the balance sheet, as they are legally released from obligation to employees once the deposit amounts have been paid.

Severance pay expenses for the years ended December 31, 2023, 2022 and 2021 amounted to approximately $2,102, $2,614 and $2,539, respectively.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

t. Fair value of financial instruments:

In accordance with ASC 820, the Company measures the below assets and liabilities at fair value using the various valuation techniques. The assets and liabilities are classified within Level 1 for using quoted market prices, Level 2 for alternative pricing sources and models utilizing market observable inputs, and Level 3 unobservable inputs which are supported by little or no market activity, also using third party appraisers.

The following table sets forth the Company's assets and liabilities that were measured at fair value as of December 31, 2023 and 2022 by level within the fair value hierarchy:

Description	Fair Value Hierarchy	Fair value measurements as of December 31, 2023	2022
Measured at fair value on a recurring basis:			
Assets:			
Cash equivalents:			
Money market mutual funds	Level 1	$ -	$ 27
Short-term marketable securities:			
Corporate bonds	Level 2	$ -	$ 7,077
Derivative assets	Level 2	$ 539	$ 371
Liabilities:			
Derivative liabilities	Level 2	$ -	$ (942)
Redeemable Non-Controlling Interest (*):	Level 3	$ 7,789	$ 7,903

(*) The change in fair value of redeemable non-controlling interest valued using significant unobservable inputs (Level 3), was included in note 2x. The Company estimated the fair value of redeemable non-controlling interest using Monte Carlo simulation. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate and the volatility. The fair value measurement is based on inputs not observable in the market and thus represent Level 3 measurements as defined in ASC 820. The extent to which the actual results differ from assumptions made within the probability-weighted analyses will result in adjustments to this liability in future periods.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Measured at fair value on a nonrecurring basis:

(a) As of December 31, 2023, in accordance with Subtopic 360-10, long-lived assets held and used were written down to their fair value, resulting in an impairment charge of $28,472 related to Property Plant and Equipment included in US and Sdot Yam manufacturing facility, and $16,575 related to ROU asset related to Sdot Yam.

As of December 31, 2022, long-lived assets held and used were written down to their fair value, resulting an impairment charge of $26,429, related to Property Plant and Equipment included in Sdot Yam facility production.

(b) As of December 31, 2023 and 2022, the goodwill balance was $0. During fiscal year 2022, in accordance with Subtopic 350-20, goodwill was written down in an impairment charge of $44,829, which was included in the consolidated statements of income for that period.

The carrying amounts of financial instruments not measured at fair value, including cash and cash equivalents, trade receivables, other accounts receivables, trade payables, accrued expenses and other liabilities, short term loans and short term bank credit, approximate their fair value due to the short-term maturities of such instruments.

u. Basic and diluted net income (loss) per share:

Basic net income (loss) per share ("Basic EPS") is computed by dividing net income attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted net income (loss) per share ("Diluted EPS") gives effect to all dilutive potential ordinary shares outstanding during the period. The computation of Diluted EPS does not assume conversion, exercise or contingent exercise of securities that would have an anti-dilutive effect on earnings. The dilutive effect of outstanding stock options is computed using the treasury stock method. For the years ended December 31, 2023, 2022 and 2021 there were approximately 2,310,543, 1,534,500, and 0 outstanding stock options, respectively, that were excluded from the computation of Diluted EPS, that would have had an anti dilutive effect if included.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

v. Comprehensive income and accumulated other comprehensive income (loss):

Comprehensive income consists of two components, net income and other comprehensive income ("OCI"). OCI refers to revenue, expenses, and gains and losses that under U.S. GAAP are recorded as an element of shareholders' equity but are excluded from net income. Company's OCI consists of foreign currency translation adjustments from those subsidiaries not using the USD as their functional currency and net deferred gains and losses on certain derivative instruments accounted for as cash flow hedges and marketable securities.

The total accumulated other comprehensive income ("AOCI"), net of tax was comprised as follows:

	December 31,	
	2023	2022
Accumulated loss on marketable securities	$ -	$ (125)
Accumulated income (loss) on derivative instruments	539	(412)
Accumulated foreign currency translation differences and other	(8,941)	(9,041)
Total accumulated other comprehensive loss, net	$ (8,402)	$ (9,578)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The following table summarizes the changes in AOCI, net of taxes for the year ended:

	Unrealized gains (losses) on derivative instruments	Unrealized gains (losses) on marketable securities	Accumulated foreign currency translation differences and other	Total
Balance at January 1, 2022	297	(40)	(961)	(704)
Other comprehensive income (loss) before reclassifications	(3,264)	(85)	(8,080)	(11,429)
Amounts reclassified from AOCI	2,555	-	-	2,555
Net current period OCI	(709)	(85)	(8,080)	(8,874)
Balance at December 31, 2022	(412)	(125)	(9,041)	(9,578)
Other comprehensive income (loss) before reclassifications	(2,355)	125	100	(2,130)
Amounts reclassified from AOCI	3,306	-	-	3,306
Net current period OCI	951	125	100	1,176
Balance at December 31, 2023	539	-	(8,941)	(8,402)

The following table shows the amounts reclassified from AOCI into the Consolidated Statements of Income, and the associated financial statement line item, for 2023 and 2022:

	December 31,	
	2023	2022
Affected line item in the consolidated statements of income		
Cost of revenues	$ 2,287	$ 1,921
Research and development	102	68
Marketing and selling	414	249
General and administrative	503	317
Total loss	$ 3,306	$ 2,555

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.):

w. Accounting for stock-based compensation:

Equity share based payment:

The Company accounts for stock-based compensation in accordance with ASC 718, "Compensation-Stock Compensation" ("ASC 718"). ASC 718 requires companies to estimate the fair value of equity-based payment awards on the date of grant using an option-pricing model.

The Company accounts for employees and directors' share-based payment awards classified as equity awards using the grant-date fair value method. The fair value of share-based payment transactions is recognized as an expense over the requisite service period. The Company's accounting policy is to account for forfeitures as they occur.

The exercise price of each option is generally Company's stock price on the date of the grant. Options generally become exercisable over approximately three to four-year period, subject to the continued employment. All options expire after 7 years from the date of grant. In addition, commencing in 2015 the Company granted certain of its employees and officers with restricted stock units ("RSUs"), vesting over approximately a four-year period from the grant date. RSUs fair value is measured at the grant date based on the market value of Company's common stock. RSUs that are cancelled or forfeited become available for future grants.

In 2023 and 2022, the Company estimated the fair value of stock options granted using the Black-Scholes option pricing model with the following weighted average assumptions:

	December 31,	
	2023	**2022**
Dividend yield	0 - 3%	0 - 3%
Expected volatility	40-46.0%	40-45.0%
Risk-free interest rate	4-4.9%	1-4.3%
Expected life (in years)	4-6.9	4-5.5

The Company used volatility data in accordance with ASC 718 and based on Company's historical data.

The computation of risk free interest rate is based on the rate available on the date of grant of a zero-coupon U.S. government bond with a remaining term equal to the expected term of the option.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The expected term of options granted is calculated using the simplified method (being the average between the vesting periods and the contractual life of the options). In case of grant to Company's CEO or directors, the expected term equales to the contractual life.

For the vast majority of the options granted in 2023 and 2022, the dividend yield is zero, due to adjustment mechanism with respect to the exercise price upon payment of a dividend. For those options granted without adjustment mechanism, the dividend yield applied is 3%.

x. Redeemable non-controlling interest:

Following the acquisition of Lioli during 2020, the Company is party to a put and call arrangement with respect to the remaining 45% non-controlling interest in Lioli. Due to the existing put and call arrangements, the non-controlling interest is considered to be redeemable and is recorded on the balance sheet as a redeemable non-controlling interest outside of permanent equity.

During March 2022, the Company participated in rights offering in Lioli, and purchased additional 9,870,000 shares in amount of approximately $2.5 million. Following this offering, the Company holds 60.4% of Lioli's shares on a fully diluted basis.

The redeemable non-controlling interest is recognized at the higher of: i) the accumulated earnings associated with the non-controlling interest, or ii) the redemption value as of the balance sheet date (see also Note 1b).

The following table provides a reconciliation of the redeemable non-controlling interest:

	Year ended December 31,		
	2023	**2022**	**2021**
Beginning of the year	$ 7,903	$ 7,869	$ 7,701
Assuming the non controlling interest due to acquisition	-	-	-
Net income (loss) attributable to non-controlling interest	(584)	688	(1,077)
Adjustment to Put option value (*)	532	198	1,399
Foreign currency translation adjustments	(62)	(852)	(154)
Redeemable non-controlling interest - end of the year	$ 7,789	$ 7,903	$ 7,869

(*) See also Note 1b.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

y. Contingencies:

The Company is involved in various product liability, commercial, government investigations, environmental claims and other legal proceedings that arise from time to time in the course of business. The Company records accruals for these types of contingencies to the extent that the Company concludes their occurrence is probable and that the related liabilities are estimable. When accruing these costs, the Company will recognize an accrual in the amount within a range of loss that is the best estimate within the range. When no amount within the range is a better estimate than any other amount, the Company accrues for the minimum amount within the range. The Company records anticipated recoveries under existing insurance contracts that are probable of occurring at the amount that is expected to be collected. Legal costs are expensed as incurred. For unasserted claims or assessments, the Company followed the accounting guidance in ASC 450 Contingencies, in which the Company must first determine that the probability that an assertion will be made is likely, then, a determination as to the likelihood of an unfavorable outcome and the ability to reasonably estimate the potential loss is made.

z. Business combination:

The Company accounts for business combinations by applying the provisions of ASC 805, Business Combination, and allocates the fair value of purchase consideration to the tangible assets acquired, liabilities assumed, and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. When determining the fair values of assets acquired and liabilities assumed, management makes significant estimates and assumptions, especially with respect to intangible assets.

Significant estimates in valuing certain intangible assets include, but are not limited to future expected cash flows from acquired customer relationship and acquired trademarks from a market participant perspective, useful lives and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. During the measurement period, which does not exceed one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed, with the corresponding adjustment to goodwill. Upon the finalization of the measurement period, any subsequent adjustments are recorded to earnings.

Acquisition-related costs are recognized separately from the acquisition and are expensed as incurred. See also Note 1.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

aa. Exit or disposal activities:

The company accounts for exit and disposal cost obligations, including restructuring activities, under ASC 420-10 "Exit or Disposal Cost Obligations", which requires that the company record liabilities for such activities only when such liability has been incurred. During 2023 the company closed it's facility in Sdot-Yam, Israel and announced the closure of its manufacturing facility in Richmond hill, Georgia, USA.

Total restructuring expenses for the year ended December 31, 2023 for the manufacturing facilities closures totaled approximately $2.9 million, included within the operating expenses on the consolidated statements of comprehensive income. Out of the $2.9 million, employee termination costs were approximately $1.0 million and decommissioning and restoration costs were approximately $1.9 million. As of December 31, 2023 approximately $1.5 million is recorded under accrued expenses and other liabilities.

The company concluded that the above actions were triggering events for an impairment test under ASC 360, property, Plant and Equipment. Refer also to note 2(t) and 6.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

ab. Impact of recently issued accounting standards:

Recently issued accounting standards and adopted by the Company:

In October 2021, the FASB issued ASU No. 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers (ASU 2021-08), which clarifies that an acquirer of a business should recognize and measure contract assets and contract liabilities in a business combination in accordance with Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers (Topic 606). This guidance is effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Early adoption is permitted. The adoption of the standards did not have a material impact on the Company's consolidated financial statements.

Recently issued accounting standards and not yet adopted by the Company:

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which requires public entities to disclose information about their reportable segments' significant expenses and other segment items on an interim and annual basis. Public entities with a single reportable segment are required to apply the disclosure requirements in ASU 2023-07, as well as all existing segment disclosures and reconciliation requirements in ASC 280 on an interim and annual basis. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of adopting ASU 2023-07.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which requires public entities, on an annual basis, to provide disclosure of specific categories in the rate reconciliation, as well as disclosure of income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of adopting ASU 2023-09.

NOTE 3: MARKETABLE SECURITIES

As of December 31, 2023, there is no outstanding marketable securities held by the company.

The following is a summary of available-for-sale marketable securities at December 31, 2022:

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Accrued Interest	Fair value
Available-for-sale – matures within one year:					
Corporate bonds	$ 7,164	$ -	$ 126	$ 39	$ 7,077
Total	$ 7,164	$ -	$ 126	$ 39	$ 7,077

As of December 31, 2023 and 2022 the Company didn't record an allowance for credit losses for its AFS marketable debt securities.

NOTE 4:- OTHER ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	December 31, 2023	December 31, 2022
Prepaid expenses	$ 5,388	$ 6,313
Government authorities	4,410	13,005
Advances to suppliers	3,102	3,439
Derivatives	539	371
Other receivables (*)	12,050	9,442
	$ 25,489	$ 32,570

(*) Including mainly insurance receivables, see also note 11.

NOTE 5:- INVENTORIES

	December 31, 2023	December 31, 2022
Raw materials	$ 11,884	$ 32,443
Work-in-progress	2,390	4,058
Finished goods	122,172	201,731
	$ 136,446	$ 238,232

NOTE 6:- PROPERTY, PLANT AND EQUIPMENT, NET

	December 31,	
	2023	2022
Cost:		
Machinery and manufacturing equipment, net (1)	$ 339,657	$ 334,156
Office equipment and furniture	40,012	36,079
Motor vehicles	4,933	5,139
Buildings and leasehold improvements	131,269	129,679
Prepaid expenses related to operating lease (2)	939	939
	516,810	505,992
Accumulated depreciation and impairment:		
Machinery and manufacturing equipment, net	249,499	230,063
Office equipment and furniture	27,866	24,491
Motor vehicles	3,908	3,832
Buildings and leasehold improvements	56,984	51,722
Prepaid expenses related to operating lease	173	163
Impairment of fixed assets (3)	54,900	26,429
	393,330	336,700
Depreciated cost	$ 123,480	$ 169,292

(1) Presented net of investment grants received in the total amount of $7,463.

(2) Until 2012, the Company leased land from the Israel Lands Administration ("ILA") for its Bar-Lev manufacturing facility. The lease term started on February 6, 2005. The lease is for an initial non-cancellable term of 49 years, with a renewal option of an additional 49 years.

(3) Non cash pre-tax impairment charges recognized in 2023 were $28,472, Non cash pre-tax impairment charges recognized in 2022 were $26,429 (see also Note 2k)

Depreciation expenses were $27,387, $33,813 and $32,394 for the years ended December 31, 2023, 2022 and 2021, respectively.

NOTE 7:- GOODWILL AND INTANGIBLES

a. Goodwill:

The changes in the carrying amount of goodwill for the years ended December 31, 2023 and 2022 are as follows:

Balance as of January 1, 2022	$ 45,800
Acquired through business combination (*)	792
Goodwill Impairment (**)	(44,829)
Foreign currency translation adjustments	(1,763)
Balance as of December 31, 2022 and 2023	$ -

(*) Resulting from Magrab acquisition, see also Notes 1(d).

(**)The Company performs its annual testing of goodwill in the fourth quarter of each year in accordance with ASC 350 (see also Note 2l). During the fourth quarter of 2022, the Company conducted an impairment test of its reporting unit. Due to factors such as a decrease in the Company's market value, lower-than-expected projected future cash flows, and higher interest rates, a pre-tax, non-cash goodwill impairment charge of $44,829 was recorded.

b. Intangible assets:

	December 31,	
	2023	**2022**
Original amounts:		
Customer relationships (*)	$ 13,983	$ 13,983
Accumulated amortization:		
Customer relationships	(7,687)	(5,067)
Foreign currency translation adjustment	(39)	(99)
Total intangibles assets	$ 6,257	$ 8,817

(*) In 2022, includes $1,789 Acquired through business combination of Magrab.
(1) Amortization expense amounted to $2,620 and $2,531 for the years ended December 31, 2023 and 2022, respectively.
(2) Estimated amortization expenses for the following years as of December 31, 2023:

2024	2,662
2025	2,472
2026	224
2027	224
2028	224
2029 and on	451
	$ 6,257

NOTE 8:- SHORT-TERM BANK CREDIT AND CURRENT MATURITIES OF LONG-TERM LOAN

Short-term bank credit and loans are classified as follows:

	Currency	Weighted average interest December 31, 2023	Weighted average interest December 31, 2022	December 31, 2023	December 31, 2022
		%			
Short-term bank credit (*)	USD	-	6.3	$ -	$ 21,183
Short-term bank credit (**)	INR	10.1	7.6	$ 2,801	$ 2,674
Current maturities of Long- term bank loan and other (**)	INR	8.9	7.6	$ 2,317	$ 2,278
Total				$ 5,118	$ 26,135

(*) As of December 31, 2023, the company has no credit lines in Israeli banks. The credit line outstanding as of December 31, 2022, in Israeli banks was fully repaid during 2023.

(**) Credit line and bank loan in Lioli - During 2022, Lioli engaged with a new bank and signed a new loan agreement. The loan agreement with the bank in Lioli contains customary covenants. Lioli is in compliance with the requirement of the financial covenants under the agreement of own capital contribution. The Loan Agreement also contains certain customary negative covenants that require Lioli to refrain from certain actions unless bank's consent obtained. Lioli debt is secured by a SBLC (Stand By Letter of Credit) from Caesarstone and floating charge on all of Lioli's assets. (see also Note 15).

NOTE 9:- ACCRUED EXPENSES AND OTHER LIABILITIES

	December 31, 2023	December 31, 2022
Employees and payroll accruals	$ 13,410	$ 13,029
Accrued expenses	8,833	12,003
Advances from customers	2,413	1,998
Taxes payable	5,617	4,892
Warranty provision	1,154	1,239
Derivatives	-	942
Sales return provision	875	604
Operating lease liability short-term	23,932	22,741
Contingent consideration liability and other	660	1,329
	$ 56,894	$ 58,777

NOTE 10:- LEASES

As of December 31, 2023, the Company had operating lease agreements for facilities and vehicles in the United States, Canada, Australia, United Kingdom, European Union, Israel, India, Sweden and Singapore. The Company's leases have remaining lease terms of up to 15 years, some of which include options to extend the leases for up to five years. Such options are included in the lease term when it is reasonably certain that the option will be exercised. Leases with an initial term of 12 months or less are not recorded on the balance sheet, the Company recognizes lease expense for these leases on a straight-line basis over the lease term. The Company does not separate non-lease components from the lease components to which they relate, and instead accounts for each separate lease and non-lease component associated with that lease component as a single lease component for all underlying asset classes. The Company uses its estimated incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments.

a. The following table summarizes the Company's lease-related assets and liabilities recorded on the consolidated balance sheet:

	Classification	**December 31, 2023**	**December 31, 2022**
Assets:			
Operating lease assets (*)	Operating lease right-of-use assets	$ 120,156	$ 144,098
Total lease assets		$ 120,156	$ 144,098
Liabilities:			
Current lease liabilities	Accrued expenses and other liabilities	23,932	22,741
Long-term lease liabilities	Long-term operating lease liabilities	114,146	124,353
Total lease liabilities		$ 138,078	$ 147,094

(*) Following the closure of Sdot Yam plant, the Company evaluated it's right of use asset resulted from non-cancelable lease agreement effective through 2032. Based on future estimated sublease the Company recorded an impairment of $16,575 during 2023.

Lease term and discount rate:	**December 31, 2023**	**December 31, 2022**
Weighted-average remaining lease term — operating leases	7.29 years	7.92 years
Weighted-average discount rate — operating leases	2.74%	2.47%

NOTE 10:- LEASES (Cont.)

b. The components of operating lease cost for the year ended December 31, 2023 were as follows:

	December 31, 2023	December 31, 2022
Operating lease cost:		
Operating lease expense	$ 28,771	$ 27,583
Variable lease expense (*)	1,113	2,123
Sublease income	(477)	(999)
Total operating lease cost	$ 29,407	$ 28,707

(*) Includes short-term leases, index, maintenance and variable lease costs.

c. The maturity of the Company's operating lease liabilities for contracts with lease term greater than one year as of December 31, 2023 are as follows:

	December 31,
2024	25,963
2025	23,534
2026	21,206
2027	17,816
2028	14,997
2029 and thereafter	47,780
Total future lease payments (*)	151,296
Less imputed interest	(13,218)
Total	$ 138,078

(*) Total lease payments have not been reduced by sublease rental payments of approximately $326 due in the future under non-cancelable subleases.

d. For additional information regarding lease transactions between related parties, refer to Note 14.

NOTE 10:- LEASES (Cont.)

e. The following table presents supplemental cash flow information related to the lease costs for operating leases:

	December 31, 2023	December 31, 2022
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows for operating leases	$ 27,471	$ 26,003

NOTE 11:- COMMITMENTS AND CONTINGENT LIABILITIES

a. Legal proceedings and contingencies:

Claim by former South African distributor

In December 2007, the Company terminated its agency agreement with its former South African agent, World of Marble and Granite ("WOMAG"), on the basis that WOMAG had breached the agreement. During the years the Company and WOMAG filed counter claims in the court of South Africa and in Israel.

Following negotiations held during 2020 between the parties, on January 15, 2021, the Company paid WOMAG an amount of approximately EUR 7.2 million ($8,900) as part of the settlement for the majority of WOMAG's claim for breach of contract. The remaining minimal disputed amounts were settled during 2022.

Bodily injury claims related to exposure to silica dust:

Overview:

The Company is subject to numerous claims mainly by fabricators, their employees or National Insurance Institute (the Israeli insurance institute -"NII" or Australian states workers compensation regulators), alleging that fabricators contracted illnesses, including silicosis, through exposure to silica particles during cutting, polishing, sawing, grinding, breaking, crushing, drilling, sanding or sculpting Company's products.

NOTE 11:- COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

Individual claims in Israel

As of December 31, 2023, the Company is subject to 150 pending bodily injury claims (individual claims and NII subrogation or related future probable claims) that have been submitted in Israel since 2008 against the Company directly, or that have named the Company as third-party defendant by fabricators or their employees in Israel, by the injurer's successors, by the NII or by others.

As of December 31, 2023, the Company has 9 pending pre-litigation demand letters on behalf of certain fabricators in Israel.

Most of the claims in Israel do not specify a total amount of damages sought, as the plaintiff's future damages are intended to be determined at trial.

In November 2015 and in May 2017, the Company entered into agreements with the State of Israel and with its main distributors in Israel, respectively, with the consent of its insurance carriers, under which the Company agreed with the State and each of its main distributors to cooperate, subject to certain terms, with respect to the management of the individual claims that have been filed and claims that may be submitted during a certain time period (NII claims are excluded from the Company's agreement with the State) and on the apportionments of the total liability between the Company , the State, and the distributors, if found, in such claims. During January 2020, the State of Israel approved an additional 5 year extension to its agreement with the company.

Class action in Israel:

In April 27, 2014, a lawsuit by a single plaintiff and a motion for the recognition of this lawsuit as a class action was filed against the Company in the Central District Court in Israel. The plaintiff alleges that, if the lawsuit is recognized as a class action, the claim against the Company is estimated to be NIS 216 million (approximately $56,180). In addition, the claim includes an unstated sum in compensation for special and general damages.

On January 4, 2018, the Company and the plaintiff submitted to the Israeli District Court a settlement agreement, which was approved in July 2021. The claim was dismissed and during 2022, the Company paid without any admission of liability, an aggregate amount of NIS 9.0 million (approximately $2,557) to fund certain safety related equipment at fabrication facilities in Israel, as well as plaintiff's compensation and legal expenses. The amounts transferred were fully utilized during 2023.

During 2021 the Company received refund of NIS 7.0 million (approximately $2,100) from its insurance carrier which was recorded as a reduction of legal settlements expenses.

NOTE 11:- COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

Individual claims in Australia:

As of December 31, 2023, Company's subsidiary in Australia is subject to 74 pending bodily injury claims that have been submitted in Australia since 2018 against it directly, or that have named the Company as third-party defendant by fabricators in Australia.

Commencing 2021, the Company reassessed the expected outcome of the individual product liability claims in Australia following Company's and its insurance carrier consent for several settlements. Based on this development and also based on its legal advisors', contingent losses related to the product liability individual claims are probable, and pursuant to ASC 450, an accrual has been recorded for the loss contingencies related to such claims.

Individual claims in the U.S.:

As of December 31, 2023, Company's subsidiary in U.S. (Caesarstone U.S.) is subject to 22 pending bodily injury claims that have been submitted in U.S. against it directly, or that have named the Company as third-party defendant by fabricators in U.S. Since such claims are at an early stage in accordance with ASC 450, therefore no provision is provided.

Summary of the provisions for claims mentioned:

In order to reasonably estimate the losses for bodily injury claims in Israel and Australia reflected in the table below, the Company performed a case-by-case analysis with its legal advisors of the relevant facts that were reasonably available to it, related to the claims filed, including, among other things, the specific known or estimated health condition of the claimants, their ages, salaries, related probable future subrogation claims from the NII, and other factors that might have an impact on the final outcome of such claims. The Company will continue to regularly monitor changes in facts for each claim and will update its best estimate if required.

Accordingly, the reserve for bodily injury claims in Israel and Australia (including class action) as of December 31, 2023 and 2022 totaled to $25,717 and $35,980 respectively, of which $14,509 and $16,408 is reported in short term legal settlements and loss contingencies and $11,208 and $19,572 is reported in long-term liabilities. The Company currently cannot estimate the number of claimants that may file claims in the future or the nature of their claims in order to conclude probability or the range of loss.

The Company updated its provision in 2023, 2022 and 2021 to reflect the outstanding claims in the below table, and provided a provision also for related NII unasserted claims, based on its legal advisors' and according to ASC 450, taking into consideration new claims filed, settlements reached and other new information available.

NOTE 11:- COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

A summary of bodily injury claims for which the Company provided provision is as follows:

	Year ended December 31,		
	2023	2022	2021
Outstanding claims, January 1,	221	203	173
New claims	63	87	73
Settled and dismissed claims	(60)	(69)	(43)
Outstanding claims, December 31	224	221	203

Insurance

The Company maintains insurance for product liability claims, including for bodily injury claims related to exposure to silica dust, where such insurance cover can be obtained. The Company has purchased insurance policies for the period from 2008 and to date from several insurance carriers that provide coverage for product liability losses, subject to certain terms and conditions, and the related defense costs up to a certain limit per case and per policy year.

As of December 31, 2023, the Company has regional product liability insurance policies, other than in Israel and Australia. Specifically, in the United States and Canada, local policy covers up to $20 milition and CAD 20 million respectively, per claim or per year, subject to certain terms and limitations, with relatively low deductibles.

The collectability of the Company's insurance receivables is regularly evaluated, and the amounts recorded are probable of collection. This conclusion is based on analysis of the terms of the underlying insurance policies, experience in successfully recovering individual product liability claims from Company's insurers, the insurance carrier was party to the agreement with the State of Israel and the financial ability of the insurance carriers to pay the claims and the relevant facts and applicable law.

As of December 31, 2023, and 2022, the insurance receivable totaled to $8,361 and $7,306, respectively, reported in the other accounts receivable and prepaid expenses.

During the years ended December 31, 2023 and 2022, legal settlements and loss contingencies expenses related to the bodily injury claims related to exposure to silica dust totaled to a credit of $4,847 and expense of $597, respectively, which reflects the deductible amounts for claims covered by insurance policies, claims not covered and the impact of settlements including the related legal costs.

NOTE 11:- COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

General:

From time to time, the Company is involved in other legal proceedings and claims in the ordinary course of business related to a range of matters. While the outcome of these other claims cannot be predicted with certainty, the Company monitors and estimates the possible loss deriving from these claims based on new information available and based on its legal advisors, and believes that it recorded an adequate reserve for these claims in accordance with ASC 450.

b. Purchase obligation:

The Company's significant contractual obligations and commitments as of December 31, 2023, are for purchase obligations to certain suppliers and amounted to $18,611 for the fiscal year 2024.

c. Pledges and guarantees:

1. As of December 31, 2023, the Company had outstanding guarantees and letters of credit with various expiration dates in a principal amount of approximately $8,327 related to facilities, machinery and equipment, and other miscellaneous guarantees.

2. See also note 15.

NOTE 12:- TAXES ON INCOME

a. Israeli taxation:

1. Corporate tax rate:

The corporate tax rate in Israel was 23% in 2023 and 2022, and 2021.

2. Foreign Exchange Regulations:

Under the Foreign Exchange Regulations, Caesarstone Ltd. calculates its tax liability in U.S. Dollars according to certain orders. The tax liability, as calculated in U.S. Dollars is translated into New Israeli Shekels according to the exchange rate as of December 31st of each year.

3. Tax benefits under Israel's Law for the Encouragement of Industry (Taxes), 1969:

The Company is an "Industrial Company," as defined by the Law for the Encouragement of Industry (Taxes), 1969, and as such, the Company is entitled to certain tax benefits, primarily amortization of costs relating to know-how and patents over eight years, accelerated depreciation and the right to deduct public issuance expenses for tax purposes.

4. Tax benefits under the Law for the Encouragement of Capital Investments, 1959:

According to the Law for the Encouragement of Capital Investments, 1959 (the "Encouragement Law"), the Company is entitled to various tax benefits by virtue of the "Preferred Enterprise" status granted to its enterprises, in accordance with the Encouragement Law.

The Company chose to be taxed according to the "Preferred Enterprise" track under Amendment No. 68 to the Encouragement Law (the "Amendment No. 68"). In order to implement Amendment No. 68 and to be taxed under the "Preferred Enterprise" track, the Company waived the tax benefits of the previous tracks -"Approved Enterprise" and "Beneficiary Enterprise" - under the Encouragement Law, starting from the 2011 tax year.

The principal benefits by virtue of the Encouragement Law are the following:

Tax benefits and reduced tax rates under the Preferred Enterprise track:

The tax rate on preferred income from a Preferred Enterprise commencing 2017 is 16% and in development area A – 7.5% (relates to Company's manufacturing plant in Bar-Lev industrial zone). During 2023 the company closed it’s Sdot-Yam manufacturing facility, resulting future tax benefits only from it’s manufacturing facility in Bar-Lev industrial zone.

In order to receive benefits as a "Preferred Enterprise," Amendment No. 68 states certain conditions must be met. The basic condition for receiving the benefits under Amendment No. 68 is that the enterprise contributes to the country's economic growth and is a competitive factor for the gross domestic product (a "competitive enterprise"). In order to comply with this condition, the Encouragement Law prescribes various requirements.

NOTE 12:- TAXES ON INCOME (Cont.)

As for industrial enterprises, in each tax year, one of the following conditions must be met:

1. Its main field of activity is biotechnology or nanotechnology as approved by the Head of the Administration of Industrial Research and Development.

2. The industrial enterprise's sales revenues in a specific market during the tax year do not exceed 75% of its total sales for that tax year. A "market" is defined as a separate country or customs territory.

3. At least 25% of the industrial enterprise's overall revenues during the tax year were generated from the enterprise's sales in a specific market with a population of at least 14 million starting from 2012 tax year.

Amendment No. 68 also prescribes that any dividends distributed to individuals or foreign residents from the preferred enterprise's earnings as discussed above will be subject to tax at a rate of 20% from 2014 and onwards (or a reduced rate under an applicable double tax treaty).

Since the Company chose to apply the provisions of Amendment No. 68, by submitting the waiver form before June 30, 2015, the Company is eligible to distribute taxed earnings derived from a Beneficiary Enterprise and/or Approved Enterprise to an Israeli company without being subject to withholding tax.

In development area A, in addition to the tax benefits, as mentioned above, some of the Company's facilities are eligible for grants at rate of 20% and/or loans, subject to an approval of the Israeli Investment Center.

Accelerated depreciation:

The Company is eligible for a deduction of accelerated depreciation on machinery and equipment used by the Approved Enterprise or the Beneficiary Enterprise or the Preferred Enterprise at a rate of 200% (or 400% for buildings) from the first year of the asset's operation.

NOTE 12:- TAXES ON INCOME (Cont.)

Conditions for entitlement to benefits:

The above mentioned benefits are contingent upon the fulfillment of the conditions stipulated by the Encouragement Law, regulations published thereunder and the letters of approval for the investments in the Preferred Enterprises, as discussed above. Non-compliance with the conditions may cancel all or part of the benefits and require a refund of the amount of the benefits, including interest. The Company's management believes that the Company meets the aforementioned conditions.

The tax-exempt income attributable to the Approved Enterprise cannot be distributed to shareholders without subjecting the Company to taxes. If dividends are distributed out of tax-exempt profits, the Company will then become liable for tax at the rate applicable to its profits from the Approved Enterprise in the year in which the income was earned, as if it was not under the "Alternative benefits track" (taxed at the rate of no more than 25% as of December 31, 2023). Under the Encouragement Law, tax-exempt income generated under the Approved Enterprise status will be taxed, among other things, upon a dividend distribution or complete liquidation in accordance with the Encouragement Law.

In November 2021, amendment No. 74 to the Investment Law (the "Trapped Earnings Law") came into effect. Amendment 74 to the Encouragement Law:

On November 15, 2021, the Economic Efficiency Law (Legislative Amendments for Achieving Budget Targets for the 2021 and 2022 Budget Years), 2021 ("the Economic Efficiency Law"), was enacted. This Law establishes a temporary order allowing Israeli companies to release tax-exempt earnings ("trapped earnings" or "accumulated earnings") accumulated until December 31, 2020, through a mechanism established for a reduced corporate income tax rate applicable to those earnings ("the Temporary Order"). In addition to the reduced corporate income tax (CIT) rate, Article 74 to the Encouragement Law was amended whereby effective from August 15, 2021, for any dividend distribution (including a dividend as per Article 51B to the Encouragement Law) by a company which has trapped earnings, there will be a requirement to allocate a portion of that distribution to the trapped earnings.

The Company distributed dividends during November 2021 and during September 2022, both was partially attributed to the above amendment.

Of the Company's retained earnings as of December 31, 2023, approximately $20,169 is tax-exempt earnings attributable to its Approved Enterprise.

As of December 31, 2023, if the income attributed to the Approved Enterprise would have been distributed as a dividend, the Company would have incurred a tax liability of approximately $5,042.

NOTE 12:- TAXES ON INCOME (Cont.)

According to the Temporary Order, the reduction of CIT will apply to earnings that are released (with no requirement for an actual distribution) within a period of one year from the date of enactment of the Temporary Order. The reduction in the CIT is dependent on the proportion of the trapped earnings that are released in relation to the total trapped earnings, and on the foreign investment percentage in the years the earnings were generated. Consequently, the larger the proportion of the trapped earnings that are released, the lower the tax in respect of the distribution. The minimum tax rate applied to the company is 10%. Further, a company that elects to pay a reduced CIT is required to invest in its industrial enterprise a designated amount in accordance with the Economic Efficiency Law within a period of five years commencing from the tax year in which the election is made. The designated investment should be utilized for the acquisition of production assets, and/or investments in research and development and/or compensation to additional new employees.

The Company did not apply to such order.

b. Non-Israeli subsidiaries taxation:

Non-Israeli subsidiaries are taxed based on tax laws in their countries of residence.

Statutory tax rates for Non-Israeli subsidiaries are as follows:

Company incorporated in United States – 25.3% tax rate (federal and state).
Company incorporated in Australia - 30% tax rate.
Company incorporated in Singapore - 17% tax rate.
Company incorporated in Canada – 27.7% tax rate (federal and state).
Company incorporated in England – 25% tax rate.
Company incorporated in India – 30% tax rate.
Company incorporated in Sweden – 20.6% tax rate.

Israeli income taxes and foreign withholding taxes were not provided for undistributed earnings of the Company's foreign subsidiaries. The Company intends to reinvest these earnings indefinitely in the foreign subsidiaries. Accordingly, no deferred income taxes have been provided. If these earnings were distributed to Israel in the form of dividends or otherwise, the Company would be subject to additional Israeli income taxes (subject to an adjustment for foreign tax credits) and foreign withholding taxes.

NOTE 12:- TAXES ON INCOME (Cont.)

c. Deferred income taxes:

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31,	
	2023	2022
Deferred tax assets:		
Goodwill and Intangible assets	$ 227	$ 253
Other temporary differences including operating lease (1)	28,558	35,277
Temporary differences related to inventory (2)	9,068	8,150
Property and equipment	3,315	2,834
Carryforward losses, deductions and credits (3)	10,451	4,569
Less-valuation allowance	(29,198)	(1,796)
Total deferred tax assets	22,421	49,287
Deferred tax liabilities:		
Property and equipment	(2,844)	(8,680)
Intangible Assets	(1,533)	(1,687)
Other temporary differences including operating lease	(17,989)	(26,957)
Total deferred tax liabilities	(22,366)	(37,324)
Deferred tax assets, net	$ 55	$ 11,963

(1) Deriving mainly from provision for labor related, provision for loss contingencies and lease accounting in accordance with ASC842.

(2) Deriving mainly from the provision for slow moving inventory and IRS section 263(a).

(3) Parent company and certain subsidiaries have tax loss carry-forwards totaling approximately $141,560 which can be carried forward and offset against taxable income, these carry-forward tax losses have no expiration date. In addition to the above, the Company carried back its 2020 U.S. subsidiaries losses in accordance with the CARES act.

NOTE 12:- TAXES ON INCOME (Cont.)

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the schedule of reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. During 2023, the Company recorded a full valuation allowance on deferred tax assets in the U.S and Israel in accordance with ASC 740, due to accumulated 3-year loss position and its estimation that future taxable income is not probable.

d. A reconciliation of the Company's effective tax rate to the statutory tax rate in Israel is as follows:

	Year ended December 31,		
	2023	2022	2021
Income (loss) before taxes on income	$ (86,959)	$ (55,608)	$ 19,839
Statutory tax rate in Israel	23%	23%	23%
Income (loss) taxes at statutory rate	$ (20,001)	$ (12,790)	$ 4,563
Increase (decrease) in tax expenses resulting from:			
Tax benefit arising from reduced rate as an "Preferred Enterprise"	9,996	2,622	(1,245)
Non-deductible expenses, net	1,818	10,745	1,039
Increase (decrease) in taxes from prior years, also related to settlement with tax authorities	419	(735)	(1,502)
Tax adjustment in respect of foreign subsidiaries' different tax rates	(1,120)	(239)	(650)
Provision for withholding tax assets	2,828	-	-
Uncertain tax position	-	-	110
Changes in valuation allowance	27,402	1,079	(385)
Others	(61)	76	20
Income tax expense	$ 21,281	$ 758	$ 1,950
Effective tax rate	(24.5)%	(1)%	10%
Per share amounts (basic and diluted) of the tax benefit resulting from an "Preferred Enterprise"	$ 0.29	$ (0.04)	$ (0.04)

NOTE 12:- TAXES ON INCOME (Cont.)

e. Income (loss) before taxes on income is comprised as follows:

	Year ended December 31,		
	2023	2022	2021
Domestic	$ (38,831)	$ (18,671)	$ 19,539
Foreign	(48,128)	(36,937)	300
	$ (86,959)	$ (55,608)	$ 19,839

f. Tax expenses on income are comprised as follows:

	Year ended December 31,		
	2023	2022	2021
Current taxes	$ 9,373	$ 6,832	$ 6,423
Deferred taxes	11,908	(6,074)	(4,473)
	$ 21,281	$ 758	$ 1,950
Domestic	$ 14,084	$ 436	$ 1,190
Foreign	7,197	322	760
	$ 21,281	$ 758	$ 1,950

g. Tax assessments:

The Company operates in multiple jurisdictions throughout the world, and its tax returns are periodically audited or subject to review by both domestic and foreign authorities. The associated tax filings remain subject to examination by applicable tax authorities for a certain length of time following the tax year to which those filings relate. The following describes the open tax years, by major tax jurisdiction, as of December 31, 2023:

Israel 2019 – present
Australia 2019 - present
Canada 2018 - present
United States 2019 - present
Singapore 2019 - present
England 2019 – present
India 2022 – present
Sweden 2022 - present

NOTE 12:- TAXES ON INCOME (Cont.)

h. Uncertain tax positions:

The balances at December 31, 2023 and 2022 include a liability for unrecognized tax benefits of $2,891, for tax positions which are uncertain of being sustained.

A reconciliation of the beginning and ending balances of unrecognized tax benefits is as follows:

Gross tax liabilities at January 1, 2021	$ 3,663
Increase in tax positions for current year	110
Gross tax liabilities at December 31, 2021	3,773
Increase in tax positions for current year	(882)
Gross tax liabilities at December 31, 2022	2,891
Release of tax position of prior years	-
Gross tax liabilities at December 31, 2023	$ 2,891

The Company believes that an adequate provision has been made for any adjustments that may result from tax examinations. However, the outcome of tax audits cannot be predicted with certainty. If any issues addressed in the Company's tax audits are resolved in a manner not consistent with management's expectations, the Company could be required to adjust the provision for income taxes in the period such resolution occurs. The Company does not expect uncertain tax positions to change significantly over the next 12 months, except in the case of settlements with tax authorities, the likelihood and timing of which is difficult to estimate.

NOTE 13:- SHAREHOLDERS' EQUITY

a. The Company's share capital consisted of the following as of December 31, 2023 and 2022:

	Authorized		Outstanding	
	December 31,		December 31,	
	2023	2022	2023	2022
	Number of shares			
Ordinary shares of NIS 0.04 par value each	200,000,000	200,000,000	34,532,452	34,507,303

b. Ordinary shares:

Ordinary shares confer on their holders voting rights and the right to receive dividends.

c. Dividends:

In February 2020 the Company revised its dividend policy so that cash dividend will be distributed up to 50% of the year to date reported net income attributable to controlling interest less any amounts already paid as dividend for the respective period, provided that such calculated dividend is not less than $0.10 per share. Any dividend payment is subject to approval by the Company's board of directors.

Pursuant to the above policy the Company paid a total amount of $8,625 in 2022 mostly out of its non-tax exempt profit under the beneficiary enterprise (see also note 12).

NOTE 13:- SHAREHOLDERS' EQUITY (Cont.)

d. Compensation plan:

On January 1, 2011, the Board of Directors adopted the Caesarstone Ltd 2011 Incentive Compensation Plan (the "2011 Plan") pursuant to which non-employee directors, officers, employees and consultants may receive stock options and RSUs exercisable for ordinary shares, if certain conditions are met. Under the plan the Company can grant up to 3,275,000 ordinary shares. On September 17, 2020 the Board of Directors adopted Caesarstone Ltd 2020 Share incentive plan (the "2020 Plan"). Under the 2020 Plan up to 2,500,000 ordinary shares may be granted. In addition, any shares that remain available for issuance under the 2011 Plan, as of the Effective Date, which shall not exceed 1,000,000 Shares, may also be granted under the 2020 Plan.

As of December 31, 2023, there were 2,340,110 options and restricted stock units (RSUs) outstanding under the Plans and 1,673,915 shares available or reserved for future issuance under the plan.

As of December 31, 2023, there was $2,770 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted to employees and directors under the Plan. That cost is expected to be recognized over a weighted-average period of 3.0 years.

The following is a summary of activities relating to the Company's stock options granted to employees under the Company's plan during the year ended December 31, 2023:

	Number of options	Weighted average exercise price	Aggregate intrinsic value
Outstanding - beginning of the year	1,546,150	14.58	-
Granted	1,315,800	4.71	
Exercised	-	-	
Forfeited	(582,550)	15.72	
Outstanding - end of the year	2,279,400	8.63	-
Options exercisable at the end of the year	641,325	15.41	-
Vested and expected to vest	641,325	15.41	-

The weighted average fair value of options granted during 2023, 2022 and 2021 was $1.9, $3.8 and $5.2 per option. The weighted average fair value of options vested during 2023, 2022 and 2021 was $12.96, $12.30 and $14.07 per option. The intrinsic value of options exercised during 2023, 2022 and 2021 was $0.

NOTE 13:- SHAREHOLDERS' EQUITY (Cont.)

The intrinsic value of exercisable options (the difference between the Company's closing share price on the last trading day in fiscal year 2023 and the average exercise price of in-the-money options, multiplied by the number of in-the-money options) included above represents the amount that would have been received by the option holders had all option holders exercised their options on December 31, 2023. This amount changes based on the fair market value of the Company's ordinary shares.

The following is a summary of activities relating to the Company's RSUs granted to employees under the Plan during the year ended December 31, 2023:

	Number of RSUs	Weighted average fair value	Aggregate intrinsic value
Outstanding - end of the year	74,887	12.17	428
Granted	23,809	4.11	
Exercised	(25,477)	11.77	
Forfeited	(12,508)	2.80	
Outstanding - end of the year	60,711	8.51	227
RSUs exercisable at the end of the year	-	-	-
Vested and expected to vest	60,711	8.51	227

The awards outstanding as of December 31, 2023 have been separated into ranges of exercise price, as follows:

	Awards outstanding			Awards exercisable		
Exercise price	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price per share	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price
$0.01 (RSUs)	60,711	5.64	$ 0.01	-	-	$ -
$4.0-9.5	1,455,200	6.25	$ 5.01	23,150	5.68	$ 8.07
$10.2-19.7	709,200	3.32	$ 13.13	503,175	2.90	$ 13.17
$20.3-29.5	115,000	0.67	$ 26.70	115,000	0.67	$ 26.70
	2,340,111			641,325		

NOTE 13:- SHAREHOLDERS' EQUITY (Cont.)

Compensation expenses related to options and RSUs granted were recorded in the consolidated statements of operations, as follows:

	December 31,	
	2023	2022
Cost of revenues	$ 95	$ 315
Research and development expenses	89	69
Marketing and selling expenses	298	201
General and administrative expenses	543	917
Total	$ 1,025	$ 1,502

NOTE 14:- TRANSACTIONS WITH RELATED PARTIES

Company's controlling shareholder, is Mifalei Sdot-Yam Agricultural Cooperative Society Ltd. (“Mifalei Sdot-Yam”), which is controlled by Sdot-Yam Business Holding and Management – Agricultural Cooperative Society Ltd., which is in turn controlled by Kibbutz Sdot-Yam (for convenience purposes, collectively referred as the “Kibbutz"). The Kibbutz has an ownership interest in the Company of approximately 30.2%, as of December 31, 2023.

On September 5, 2016, the Kibbutz and Tene Investment in Projects 2016 Limited Partnership (“Tene”) entered into the shareholders’ agreement (“Shareholders’ Agreement”), memorialized in a term sheet , pursuant to which both the Kibbutz and Tene are deemed the Company’s controlling shareholders under the Israeli Companies Law. The Shareholders’ Agreement further amended on February 20, 2018 and September 18, 2023, In which the amendment executed on September 18, 2023 (the “September Amendment”) replaced the Shareholders Agreement in its entirety. Pursuant to the September Amendment, the parties agreed, among other things, to vote at general meetings of the Company’s shareholders in the same manner, following discussions intended to reach an agreement on any matters proposed to be voted upon. However, if no agreement is reached, the Kibbutz will determine the manner in which both parties will vote, except with respect to certain carved-out matters, to which Tene, for so long as it holds more than 3% of the issued and outstanding share capital of the Company, will determine the manner in which both parties will vote.

In addition, each of the Kibbutz and Tene shall be entitled to vote separately in any manner with respect to the appointment, replacement or terms of compensation of the Company’s Chief Executive Officer. Among others, according to the September Amendment Tene granted the Kibbutz a right of first refusal and the Kibbutz granted Tene certain tag-along rights with respect to their disposition of ordinary shares. If Tene sells more than 3% of the issued and outstanding share capital of the Company without providing the Kibbutz its right of first offer then certain rights contemplated under the September Amendment will terminate, including Tene’s tag-along right.

As of December 31, 2023 the Kibbutz and Tene beneficially own 14,029,494 ordinary shares (or approximately 40.6% of the outstanding).

The Company is party to a series of agreements with the Kibbutz that govern different aspects of the Company's relationship and are described below.

a. Manpower agreement with the Kibbutz:

On July 2011, the Company entered into a manpower agreement with The Kibbutz such was automatically renewed during 2023 for additional one year term, and will be automatically renewed again, unless one of the parties gives six months’ prior notice, for additional one-year periods.

NOTE 14:- TRANSACTIONS WITH RELATED PARTIES (Cont.)

On July 30, 2015, and on October 14, 2018, following the approval of Company's audit committee, compensation committee and board of directors, Company's shareholders approved an addendum to the Manpower Agreement by and between the Kibbutz and the Company, with respect to the engagement of office holders affiliated with the Kibbutz, for an additional three-year term as of the date of the shareholders' approval.

During 2021, following the approval of Company's audit committee and the board of directors, the manpower agreement is valid through 2030.

Under the manpower agreement and its addendum, the Kibbutz will provide the Company with labor services staffed by Kibbutz members, candidates for Kibbutz membership and Kibbutz residents ("Kibbutz Appointees"). The consideration to be paid for each Kibbutz Appointee will be based on the Company's total cost of employment for a non-Kibbutz Appointee employee performing a similar role. The number of Kibbutz Appointees may change in accordance with the Company's needs. Under the manpower agreement, the Company will notify the Kibbutz of any roles that require staffing, and if the Kibbutz offers candidates with skills similar to other candidates, the Company will give preference to hiring of the relevant Kibbutz members. the Kibbutz is entitled under this agreement, at its sole discretion, to discontinue the engagement of any Kibbutz Appointee of manpower services through his or her employment by the Kibbutz and require such appointee to become employed directly by the Company.

The manpower agreement and addendum also includes the Kibbutz's obligation to customary liability, insurance, indemnification and confidentiality and intellectual property provisions. Office holders who are Kibbutz Appointees shall have all benefits applicable to Company's other office holders, including without limitation, directors' and officers' liability insurance, and Company's indemnification and exemption undertaking.

Manpower service fees paid were $1,553, $1,768 and $1,803 for the years ended December 31, 2023, 2022 and 2021, respectively.

NOTE 14:- TRANSACTIONS WITH RELATED PARTIES (Cont.)

b. Services from the Kibbutz:

On July 30, 2015, following the approval of the audit committee and the board, Company’s shareholders approved an amended services agreement pursuant to which, the Kibbutz will continue to provide various services it provides in the ordinary course of Company's business, for a period of three years commencing as of the date of approval by the shareholders.

On October 14, 2021, following the approval of the audit committee and the board, Company’s shareholders approved a further amended services agreement (“Amended Services Agreement”) for an additional period of three years.

The amount that the Company pays to the Kibbutz under the Amended Services Agreement depends on the scope of services the Company will receive and is based on rates specified in such agreement which were determined based on market terms, taking into account the added value of consuming services from the Kibbutz, considering its physical proximity to Company’s manufacturing plant in Sdot-Yam and its expertise.

The amounts the Company pays for the services are subject to certain adjustments for increases in the Israeli consumer price index. In addition, the Amended Services Agreement grants The Kibbutz right of first proposal in special projects with respect to the metal workshop services. The amended services agreement also outlines the distribution mechanism between the Company and the Kibbutz for certain expenses and payments due to local authorities, such as certain taxes and fees in connection with the Company’s business facilities. Each party may terminate such agreement upon a material breach, following a 30-day prior notice, or upon liquidation of the other party, following a 45-days’ prior notice.

The Company's net service fees paid to the Kibbutz pursuant to the Original and Amended Services Agreements were $810, $1,334 and $1,468 for the years ended December 31, 2023, 2022 and 2021, respectively.

NOTE 14:- TRANSACTIONS WITH RELATED PARTIES (Cont.)

c. Land Use Agreement with the Kibbutz:

Land leased to the Kibbutz by the ILA and the Caesarea Development Corporation

The Company's principal offices and research and development facilities, as well as one of its two manufacturing facilities, are located on the grounds of the Kibbutz and include buildings spaces of approximately 30,744 square meters and unbuilt areas of approximately 60,870 square meters.

The Company signed a land use agreement with the Kibbutz, which has a term of 20 years commencing on April 1, 2012. As per the agreement, the annual fee may be adjusted after January 1, 2021 and every three years thereafter, at the election of the Kibbutz by obtaining an updated appraisal. The appraiser will be mutually agreed upon or, in the absence of agreement, will be chosen by the Kibbutz out of the list of appraisers recommended at that time by Bank Leumi Le-Israel ("Bank Leumi"). During 2021, the Kibbutz elected this option and the parties mutually agreed upon a land appraiser, and based on its study the fees were adjusted for 2021 onwards for annual amount of approximately NIS 18,600,000 (approximately $5,980), linked to the Israeli consumer price index.

Under the land use agreement, the Company may not terminate the operation of either of its two production lines at its plant in the Kibbutz as long as the Company continues to operate production lines elsewhere in Israel, and its headquarters must remain at The Kibbutz. Notwithstanding with the above mentioned, during 2023 the Company announced on closing the Sdot Yam plant with the permission of the Kibbutz. The Company is still liable to cover the land use agreement as is, and it may sublease part of the lands and buildings to a third party, subject to Kibbutz approval by case.

The Company may also not decrease or return to the Kibbutz any part of the land underlying the land use agreement; however, it may submit a written request to the Kibbutz to return certain lands. The Kibbutz will have three months to accept or reject such request, in its sole discretion, provided that if it does not respond within such three-month period, the Company will be entitled to sublease such lands to a person approved in advance by the Kibbutz. In such event, the Company will continue to be liable to the Kibbutz with respect to such lands.

In addition, the Company has committed to fund the cost of construction, up to a maximum of NIS 3.3 million (approximately $910) plus VAT, required to change the access road leading to The Kibbutz and its facilities, such that the entrance of the Company's facilities will be separated from the entrance into The Kibbutz. From the said amount, the Kibbutz has already set-off an amount of NIS 300,000 (approximately $83) for expenses incurred by it. In addition, the Company has committed to pay NIS 200,000 (approximately $55) plus VAT to cover the cost of paving an area of land leased from the Kibbutz with such payment to be deducted in monthly installments over a four-year period beginning in the year that the construction completed, from the lease payments to be made to the Kibbutz under the land use agreement related to the Company's Sdot-Yam facility.

NOTE 14:- TRANSACTIONS WITH RELATED PARTIES (Cont.)

d. Financing liability of land:

Pursuant to the Land Use Agreement, the Company has entered into an agreement with The Kibbutz dated August 6, 2013, under which the Kibbutz acquired additional land of approximately 12,800 square meters on the grounds near the Company's Bar-Lev facility, which the Company required in connection with the construction of the fifth production line at the Company's Bar-Lev manufacturing facility, leased it to the Company for a monthly fee of approximately NIS 70,000 (approximately $22).

Under the agreement, the Kibbutz committed to (i) acquire the long-term leasing rights of the Additional Bar-Lev Land from the ILA, (ii) perform preparation work and construction, in conjunction with the administrative body of Bar-Lev industrial park and other contractors according to Company’s plans, (iii) build a warehouse according Company’s plans, and (iv) obtain all permits and approvals required for performing the preparation work of the Additional Bar-Lev Land and for the building of the warehouse. The warehouse in Bar-Lev will be situated both on the current and new land. The finance of the building of the warehouse will be made through a loan that will be granted by the Company to the Kibbutz, in the amount of the total cost related to the building of the warehouse and such loan, including principal and interest, shall be repaid by setoff of the lease due to Kibbutz Sdot Yam by the Company for its use of the warehouse. The principle amount of such loan will bear an interest at a rate of 1.4% a year. On November 30, 2015 the land preparation work had been completed and the holding of the Additional Bar-Lev Land was delivered to the Company. As of December 31, 2023, the construction of the warehouse has not started yet.

NOTE 14:- TRANSACTIONS WITH RELATED PARTIES (Cont.)

d. Financing liability of land (cont.):

Pursuant to a land purchase and leaseback agreement, dated as of March 31, 2011, which became effective upon the Company’s IPO, between the Company and The Kibbutz, the Company completed the selling of the rights in the lands and facilities of the Bar-Lev Industrial Center (the "Bar-Lev Grounds") to The Kibbutz in consideration for NIS 43.7 million (approximately $10,900). The land purchase agreement was executed simultaneously with the execution of a land use agreement. Pursuant to the land use agreement, the Kibbutz permits the Company to use the Bar-Lev Grounds for a period of 10 years commencing on September 2012 that will be automatically renewed, unless the Company gives two years prior notice, for a ten-year term in consideration for an annual fee of NIS 4.1 million (approximately $1,200) to be linked to increases in the Israeli consumer price index. As per the agreement, the fee is subject to adjustment following January 1, 2022 and every three years thereafter at the option of The Kibbutz if The Kibbutz chooses to obtain an appraisal that supports such an increase. The appraiser would be mutually agreed upon or, in the absence of agreement, will be chosen by the Kibbutz from a list of assessors recommended at that time by Bank Leumi. During 2022, the Kibbutz elected this option and the parties mutually agreed upon a land appraiser, and based on its study the fees were adjusted for 2022 onwards for total annual amount of approximately NIS 8,100,000 (approximately $2,600), linked to the Israeli consumer price index.

The transaction was not qualified as "sale lease-back" accounting under both ASC 840 and ASC 842 and the Company recorded the entire amount received as consideration as a liability.

The financing liability of land from a related party was matured in August 31, 2022. And since that period, the related lease charges recorded under the land use agreement expenses.

The Company's payments pursuant to the land use agreements related to Sdot-Yam and Bar-Lev mentioned above totaled to $7,857, $8,162 and $7,665 for the years ended December 31, 2023, 2022 and 2021, respectively.

NOTE 14:- TRANSACTIONS WITH RELATED PARTIES (Cont.)

e. Details on transactions and balances with related parties and other loan:

1. The Company has, from time to time, entered into transactions with its shareholders (the Kibbutz). The following table summarizes such transactions:

	Year ended December 31,		
	2023	2022	2021
Cost of revenues	$ 8,232	$ 8,870	$ 8,157
Research and development	$ 486	$ 574	$ 547
Selling and marketing	$ 621	$ 730	$ 723
General and administrative	$ 848	$ 951	$ 873
Finance expenses, net	$ -	$ (392)	$ 106

2. Balances with related party and other loan:

	December 31,	
	2023	2022
Related party balances (1)	$ 257	$ 283
Other loans(2)	$ 479	$ 483

1. Related to the above mentioned agreements with related party.

2. During 2021, the Company assumed 55% of the shareholders loan in Lioli.

NOTE 15:- LONG-TERM BANK LOAN

a. As part of the Lioli's acquisition in 2020, Lioli assumed also a bank loan from commercial banks in India. The loan agreement includes certain covenants that Lioli is required to meet. As of December 31, 2023 and 2022 the covenants are met and the loan is presented under long-term bank loan (see also Note 8).

b. During 2022, lioli refinanced its old loan and signed on a new loan agreement with HDFC Bank. The new loan is denominated in Indian rupee and as of December 31, 2023 the loan carries interest rate of 8.8% (linked to MCLR). The long-term loan repayable in equal monthly installment till October 2025 and outstanding balance as of December 31, 2023 is $2,070.

c. The loan is secured by creating charge on Lioli's land, building and plant and machineries and current assets including stock, receivables and other current assets. The Company has also provided the stand by letter of credit as a security.

NOTE 16:- MAJOR CUSTOMER AND GEOGRAPHIC INFORMATION

a. The Company manages its business on the basis of one reportable segment. The data is presented in accordance with Accounting Standard Codification 280, "Segments Reporting" ("ASC 280"). The following is a summary of revenue and long-lived assets (including Property, plant and equipment, intangible assets and operating lease right-of-use assets) by geographic area. Revenues are attributed to geographic areas based on the location of end customers.

The following table presents total revenues for the years ended December 31, 2023, 2022 and 2021, respectively:

	Year ended December 31,		
	2023	2022	2021
USA	$ 271,647	$ 342,293	$ 305,353
Canada	75,462	93,377	84,467
Latin America	3,285	4,481	4,702
Australia	106,223	116,284	118,714
Asia	25,959	34,607	30,390
EMEA	59,908	63,320	60,836
Israel	22,747	36,444	39,430
	$ 565,231	$ 690,806	$ 643,892

NOTE 16:- MAJOR CUSTOMER AND GEOGRAPHIC INFORMATION (Cont.)

No customer represented 10% or more of the Company's total revenues for the years ended December 31, 2023, 2022 and 2021.

b. The following table presents total long-lived assets as of December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022
USA	$ 100,886	$ 149,173
Canada	4,685	3,292
Australia	7,885	10,337
Asia	22,630	24,353
EMEA	13,794	8,488
Israel	100,013	126,564
	$ 249,893	$ 322,207

NOTE 17:- SELECTED SUPPLEMENTARY STATEMENTS OF INCOME DATA

a. Finance (income) expense, net:

	Year ended December 31, 2023	2022	2021
Finance expenses:			
Interest in respect credit cards and bank fees	$ 4,957	$ 5,380	$ 4,702
Interest in respect of loans	377	346	2,035
Amortization/accretion of premium/discount on marketable securities	-	237	200
Realized gain/loss from marketable securities, net	63	-	134
Changes in derivatives fair value	-	1,509	-
Foreign exchange transactions losses	154	3,818	6,023
	5,551	11,290	13,094
Finance income:			
Interest in respect of cash and cash equivalent and short-term bank deposits	1,473	20	147
Changes in derivatives fair value	680	-	4,950
Interest income from marketable securities	107	287	407
Foreign exchange transactions gains	4,360	14,062	-
	6,620	14,369	5,504
Finance expenses (income), net	$ (1,069)	$ (3,079)	$ 7,590

NOTE 17:- SELECTED SUPPLEMENTARY STATEMENTS OF INCOME DATA (Cont.)

b. Net earnings (loss) per share:

The following table sets forth the computation of basic and diluted net earnings per share:

Numerator:

	Year ended December 31,		
	2023	**2022**	**2021**
Net income (loss) attributable to controlling interest, as reported	$ (107,656)	$ (57,054)	$ 18,966
Adjustment to redemption value of non-controlling interest	(532)	(198)	(1,399)
Numerator for basic and diluted net income (loss) per share	$ (108,188)	$ (57,252)	$ 17,567

Denominator (in thousands):

	Year ended December 31,		
	2023	**2022**	**2021**
Denominator for basic income (loss) per share	34,519	34,488	34,462
Effect of dilutive stock based awards	-	-	108
Denominator for diluted income (loss) per share	34,519	34,488	34,570

Earnings per share:

	2023	2022	2021
Basic and diluted earnings (loss) per share	$ (3.13)	$ (1.66)	$ 0.51

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Caesarstone Australia Pty Ltd

Opinion on the financial statements
We have audited the accompanying balance sheets of Caesarstone Australia Pty Ltd (the "Company") as of December 31, 2022 and 2021, the related statements of operations, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the "financial statements") (not included herein). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated March 15, 2023 expressed an unqualified opinion.

Basis for opinion
These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical audit matters
The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Impairment of Goodwill
In accordance with ASC 350 Intangibles – Goodwill and Other, goodwill is allocated to the Company's reporting units. Caesarstone Australia is considered its own reporting unit with AUD $22.245 million goodwill allocated prior to assessment of impairment. For each reporting unit to which goodwill has been allocated, the Company is required to assess the impairment of goodwill annually. Management assessed the fair value of the Australian company as a reporting unit, and determined an impairment loss of AUD $22.245 million. We identified the impairment of goodwill as a critical audit matter.

The principal considerations for our determination that impairment of goodwill is a critical audit matter are the level of management judgement and estimation uncertainty involved in the valuation of the fair value of the reporting unit.

Our audit procedures related to the impairment of goodwill included the following, among others:

- Obtaining an understanding, evaluating the design and operating effectiveness of the controls around the goodwill impairment process;
- Assessing the reasonableness of management's determination of the reporting unit and the allocation of goodwill;
- Assessing management's impairment model for compliance with ASC 350 and ASC 820;
- Obtaining an understanding of the significant inputs and assumptions in management's model, and assessing for reasonableness including:
  - Reviewing the key inputs of the model and corroborating key assumptions against supporting documentation;
  - Assessing the appropriateness of revenue growth assumptions in management's forecast of cash flows in the current operating environment;
  - Engaging our internal valuation specialists to assess the appropriateness of the impairment model as a fair value approach consistent with ASC 820;
  - Engaging our internal valuation specialists to develop a range of independent estimates of the discount rate and comparing those to the discount rate selected by management;
  - Performing sensitivity analysis on the significant inputs and assumptions made by management in preparing the valuation model; and
- Assessing the adequacy of disclosures in the financial report.

Bodily injury claims related to exposure to silica dust
Caesarstone Australia is facing a growing number of legal claims under workers' compensation for bodily injury claims related to exposure to silica dust. Caesarstone Australia also have insurance which is expected to cover some of the costs of settling claims. In accordance with ASC 450-20 Loss Contingencies, a loss must be recognised when the loss is reasonably estimable. We identified the liability for bodily injury claims as a critical audit matter.

The principal considerations for our determination that the liability for bodily injury claims is a critical audit matter are the significant judgements and estimates involved in determining the loss liability to be recognized, including estimating the settlement amounts, claim amounts and expected portions payable by Caesarstone Australia.

Our audit procedures related to the bodily injury claims related to exposure to silica dust included the following, among others:

- Obtaining an understanding, evaluating the design and operating effectiveness of the controls around the recognition and measurement of the liability;
- Inquiring directly with all the Company's attorneys utilized throughout the year;
- Obtaining an understanding of the significant inputs and assumptions in management's estimate of the liability and assessing for reasonableness including:
  - Inquiring with the Company's attorneys and management regarding the status of open legal claims, relevant claim amounts, and other key assumptions and judgements;
  - Assessing the reasonableness of assumptions by reference to historical settlement amounts;
  - Recalculating the estimated claim liability; and
- Assessing the adequacy of disclosures in the financial report.

/s/ GRANT THORNTON AUDIT PTY LTD

We have served as the Company's auditor since 2008.

Melbourne, Australia
March 15, 2023

Exhibit 1.1

CAESARSTONE LTD.

ARTICLES OF ASSOCIATION

(As last amended on October 30, 2023)

ARTICLES OF ASSOCIATION
of
CAESARSTONE LTD.

INTERPRETATION

1. In these Articles the following terms shall bear the meanings set opposite to them, unless inconsistent with the subject or context:

TERMS	MEANINGS
Administrative Procedure	A procedure pursuant to chapters H3 (Monetary Sanction of the Securities and Exchange Commission), H4 (Administrative Enforcement Procedures of the Administrative Enforcement Committee) or I1 (Arrangement to prevent Procedures or Interruption of procedures, under circumstances) to the Securities Law, 5738 – 1968, as amended from time to time.
Articles	These Articles of Association as may be amended from time to time.
Auditor	As defined under the Law.
Board	The Board of Directors of the Company.
Business Day	Sundays to Thursdays, save for public holidays in the State of Israel.
CEO	Chief Executive Officer, also referred to under the Law as the general manager.
Class Meeting	A meeting of the holders of a class of shares.
Chairman	Chairman of the Board.
Company	Caesarstone Ltd.
Companies Regulations	All regulations promulgated from time to time under the Companies Law, as shall be from time to time.
Distribution	As defined under the Law.
External Director	As defined under the Law.
Independent Director	As defined under the Law and/or as defined under the applicable corporate governance standards of the Nasdaq Stock Market and the independence requirements of Rule 10A-3 of the U.S Securities Exchange Act of 1934 as amended (in each case, as may be amended or replaced from time to time)

TERMS	MEANINGS
The Law or the Companies Law	The Israeli Companies Law, 5759 – 1999, as the same shall be amended from time to time and any other law that will replace it and the Companies Regulations.
NIS	New Israeli Shekel.
The Office	The registered office of the Company as may be re-located from time to time.
Office Holder	As defined under the Law.
Ordinary Shares	The Company's Ordinary Shares.
Register	Shareholders Register maintained by or on behalf of the Company including any other branch register(s) as required by law, as the case may be.
Shareholder	As defined under the Law.
Simple Majority	A majority of more than fifty percent (50%) of the votes cast by those Shareholders present and voting at the meeting in person, by proxy or by a voting instrument, not taking into consideration abstaining votes.
Statutes	The Law, the Israeli Companies Ordinance (New Version) 1983, the Securities Law, 5738 – 1968 (the "Securities Law") and all applicable laws and regulations applicable in any relevant jurisdiction (including without limitation U.S. Federal laws and regulations), and rules of any stock market in which the Company's shares are registered for trading as shall be in force from time to time and to the extent applicable to the Company.

TERMS	MEANINGS
Tene	Tene Investment In Quartz Surfaces L.P.
Tene Director	A member of the Company's Board suggested by Tene and nominated by the Shareholders of the Company, in accordance with Section 2.1 to the Letter of Understandings for a Voting Agreement, dated October 21, 2010, by and between the shareholders of the Company as of such date.

Except as otherwise provided above or elsewhere under these Articles, any word or expression mentioned herein shall have the meaning ascribed to them under the Law, and if not applicable, the meaning ascribed to them under the Companies Regulations, and if not applicable, the meaning ascribed to them under the Securities Law, and if not applicable, the meaning ascribed to them under the Securities Regulations promulgated under the Securities Law (herein the "Securities Regulations"), and if not applicable, the meaning ascribed to them under any other applicable law – in all cases if the meaning set forth therein does not contradict the purpose or the context of the relevant provision.

2. Words importing the singular shall include the plural, and vice-versa. Words importing the masculine gender shall include the feminine gender; and words importing persons shall include corporate bodies.

3. The specific provisions of these Articles supersede the provisions of any of the applicable Statutes to the extent permitted by Statute. Any provision or part thereof of these Articles, prohibited by applicable law, shall be ineffective, without invalidating any other part of these Articles.

NAME OF THE COMPANY

4. The name of the Company is Caesarstone Ltd.

PURPOSE

5. The Company may engage in any lawful business.

PUBLIC COMPANY

6. The Company is a public company as such term is defined in the Companies Law.

LIMITED LIABILITY

7. The liability of each of the Company's Shareholders for the Company's debts is limited to the full payment of the nominal value (subject to section 304 of the Law) of the shares in the Company held by such Shareholder and which remains unpaid, and only to that amount. If at any time the Company shall issue shares with no nominal value, the liability of the Shareholders shall be limited to the payment of the amount which the Shareholders should have paid the Company in respect of each share in accordance with the conditions of such issuance.

CAPITAL, SHARES AND RIGHTS

8. The registered share capital of the Company consists of 200,000,000 Ordinary Shares each of NIS 0.04 par value.
9. All issued and outstanding shares of the Company are of the same class and are of equal rights between them for all intents and purposes concerning the rights set forth below.
10. Each issued Ordinary Share entitles its holder to the rights as described below:

10.1 The equal right to participate in and vote at the Company's general meetings, whether ordinary meetings or special meetings, and each of the shares in the Company shall entitle the holder thereof, who is present at the meeting and participating in the vote, whether in person, by proxy, or by a voting instrument, to one vote.

10.2 The equal right to participate in any Distribution.

10.3 The equal right to participate in the Distribution of assets available for Distribution in the event of liquidation of the Company.

11. If two or more persons are registered as joint holders of any shares, any one of such persons may give effectual receipts for any dividend or other monies in respect of such share and his or her confirmation will bind all holders of such share.
12. Any payment for a share shall be initially credited against the par value of said share and any excess amount shall be credited as a premium for said share, unless determined otherwise in the conditions of the allocation.
13. A Shareholder shall not be entitled to rights as a Shareholder with respect to a share held by him, including the right to any Distribution, unless said Shareholder fully paid all sums in accordance with the conditions of the issuance of such a share, including interest, linkage and expenses, if any, and all unless otherwise determined by the Board.

CALLS ON SHARES

14. Subject to the terms of issuance, the Board may make calls on the Shareholders in respect of any moneys unpaid on their shares (whether in respect of nominal amount (subject to section 304 of the Law)) and each Shareholder shall (subject to his receiving at least fourteen days' notice specifying when and where payment is to be made) pay to the Company as required by the notice the amount called on his shares. A call may be revoked or postponed as the Board may decide.
15. Any call may be made payable in one sum or by installments and shall be deemed to be made at the time when the resolution of the Board authorizing that call is passed.
16. A person on whom a call is made shall remain liable for it notwithstanding the subsequent transfer of the share in respect of which the call is made.
17. The joint holders of a share shall be jointly and severally liable for the payment of all calls in respect of that share.
18. If a call is not paid before or on the due date for payment, the person from whom it is due shall pay interest on the amount unpaid from the due date for payment to the date of actual payment at such rate as the Board may decide, but the Board may waive payment of the interest, wholly or in part.
19. A sum which by the terms of allotment of a share is payable on allotment, or at a fixed time, or by installments at fixed times, shall for all purposes of these Articles be deemed to be a call duly made and payable on the date or dates fixed for payment and, in case of non-payment, the provisions of these Articles shall apply as if that sum had become payable by virtue of a call.
20. On any issue of shares the Board may make arrangements for a difference between the Shareholders in the amounts and times of payment of calls on their shares.
21. The Board may, if it thinks fit, receive all or any part of the moneys payable on a share beyond the sum actually called up on it if the holder is willing to make payment in advance and, on any moneys so paid in advance, may (until they would otherwise be due) pay interest at such rate as may be agreed between the Board and the Shareholder paying the sum in advance all subject to any applicable statute.

FORFEITURE AND SURRENDER

22. If any Shareholder fails to pay an amount payable by virtue of a call, or interest thereon as provided for in accordance herewith, on or before the day fixed for payment of the same, the Board, may at any time after the day fixed for such payment, so long as such amount (or any portion thereof) or interest thereon (or any portion thereof) remains unpaid, forfeit all or any of the shares in respect of which such payment was called for. All expenses incurred by the Company in attempting to collect any such amount or interest thereon, including, without limitation, attorneys' fees and costs of legal proceedings, shall be added to, and shall, for all purposes (including the accrual of interest thereon), constitute a part of, the amount payable to the Company in respect of such call.
23. Upon the adoption of a resolution as to the forfeiture of a Shareholder's share, the Board shall cause notice thereof to be given to such Shareholder, which notice shall state that, in the event of the failure to pay the entire amount so payable by a date specified in the notice (which date shall be not less than fourteen (14) days after the date such notice is given and which may be extended by the Board), such shares shall be ipso facto forfeited, provided, however, that, prior to such date, the Board may nullify such resolution of forfeiture, but no such nullification shall stop the Board from adopting a further resolution of forfeiture in respect of the non-payment of the same amount.

24. Without derogating from any other provision under these Articles, whenever shares are forfeited as herein provided, all dividends, if any, theretofore declared in respect thereof and not actually paid shall be deemed to have been forfeited at the same time.
25. The Company, by resolution of the Board, may accept the voluntary surrender of any share.
26. Any share forfeited or surrendered as provided herein shall become the property of the Company, and the same, subject to the provisions of these Articles, may be sold, re-allotted or otherwise disposed of as the Board deems fit.
27. Any Shareholder whose shares have been forfeited or surrendered shall cease to be a Shareholder in respect of the forfeited or surrendered shares, and shall return all relevant share certificates to the Company immediately. However, such Shareholder shall, notwithstanding, be liable to pay, and shall forthwith pay, to the Company all calls, interest and expenses owing upon or in respect of such shares at the time of forfeiture or surrender, together with interest thereon from the time of forfeiture or surrender until actual payment, and the Board, in its discretion, may, but shall not be obligated to, enforce the payment of such moneys, or any part thereof. In the event of such forfeiture or surrender, the Company, by resolution of the Board, may accelerate the date(s) of payment of any or all amounts then owing to the Company by the Shareholder in question (but not yet due) in respect of all shares owned by such Shareholder, solely or jointly with another.
28. The Board of Directors may at any time, before any share so forfeited or surrendered shall have been sold, re-allotted or otherwise disposed of, nullify the forfeiture or surrender on such conditions as it deems fit, but no such nullification shall stop the Board from re-exercising its powers of forfeiture pursuant to this Article 28.

SHARE CERTIFICATES

29. A Shareholder who is registered in the Register is entitled to receive from the Company, without payment and at such shareholder’s request, within a period of three months after the issuance or registration of the Shares, one share certificate with respect to all the shares registered in his name, which shall specify the aggregate number of the shares held by such Shareholder. In the event of a jointly held share, the Company shall issue (at such request) one share certificate for all the joint holders of the share, and the delivery of such certificate to one of the joint holders shall be deemed to be delivery to all of them. Every certificate shall bear the Company’s seal and be signed by two Office Holders of the Company, or one director and the Company’s secretary or by any other person appointed by the Board for such purpose.
30. The Company may issue un-certificated shares, provided however, that each holder of shares shall be entitled to one numbered certificate for all the shares of any class registered in his name, and if reasonably requested by such holder, to several certificates, each for one or more of such shares.
31. The Company may issue a new certificate *in lieu of* a certificate that was issued and was lost, defaced, or destroyed, on the basis of such proof and guarantees as the Company may require, and after payment of an amount that shall be prescribed by the Company, and the Company may also replace existing certificates with new certificates, free of charge, subject to such conditions as the Company shall stipulate.

REGISTERED HOLDER

32. Except as otherwise provided in these Articles, the Company shall treat the registered holder of any share as the absolute owner thereof, and, accordingly, shall not, except as ordered by a court of competent jurisdiction, or as required by statute, be bound to recognize any equitable or other claim to, or interest in such share on the part of any other person.
33. To the extent required by the Law, a trustee must inform the Company of the fact that such trustee is holding shares of the Company in trust for another person at such time as may be required by the Law. The Company shall register that fact in the Register in respect of such shares. The trustee shall be considered a share holder for the purposes of the Companies law.

TRANSFER OF SHARES

34. Subject to the Statutes, and subject to any applicable agreements or undertakings of any specific Shareholder, the shares shall be freely transferable.
35. Transfer of registered shares shall be made in writing or any other manner, in a form specified by the Board or the transfer agent appointed by the Company, and such transfer form should be signed by both the transferee and the transferor and delivered to the Office or to such transfer agent, together with the certificates of the shares due to be transferred, if such certificates have been issued. The transferee shall be deemed to be the Shareholder with respect to the transferred shares only from the date of registration of his name in the Register.
36. The Board may, in its absolute discretion and without giving any reason for its decision, refuse to register any transfer of a share not fully paid up or any transfer of a share on which the Company has a lien provided always that the refusal is not such as to prevent trading of the shares in any stock exchange.
37. If the Board refuses to register a transfer of a share, it shall within two weeks after the date on which the transfer was lodged send to the transferee notice of the refusal.
38. The Board may close the Register and suspend the registration of transfers for such period of time as the Board shall deem fit, provided that the period of closure of any such book shall not exceed 30 days each year. The Company shall notify the Shareholders of such decision.

TRANSMISSION OF SHARES

39. In the case of the death, liquidation, bankruptcy, dissolution, winding-up or a similar occurrence of a Shareholder, the legal successors of such Shareholder shall be the only persons recognized by the Company as having any title to such shares, but nothing herein contained shall release the estate of the predecessor from any liability in respect of such shares.
40. The legal successors may, upon producing such evidence of title as the Board shall require, be registered themselves as holders of the shares, or subject to the provisions as to transfers herein contained, transfer the same to some other person.

ALTERATIONS OF THE REGISTERED CAPITAL

41. (a) Subject to the Statutes, a general meeting of Shareholders may from time to time resolve to:

(1) Alter or add classes of shares that shall constitute the Company's authorized capital, including shares with preference rights, deferred rights, conversion rights or any other special rights or limitations.

(2) Increase the Company's registered share capital by creating new shares either of an existing class or of a new class.

(3) Consolidate and/or split all or any of its share capital into shares of larger or smaller par value than the existing shares.

(4) Cancel any registered shares not yet allocated, provided that the Company has made no commitment to allocate such shares.

(5) Reduce the Company's share capital and any reserved fund for redemption of capital.

(b) In executing any resolution adopted according to Article 41(a) above, the Board may, at its discretion and subject to the provisions of applicable Statutes, resolve any related issues.

(c) If as a result of a consolidation or split of shares authorized under these Articles, fractions of a share will stand to the credit of any Shareholder, the Board is authorized at its discretion, to act in any manner it deems fit, including:

(1) Determine that fractions of shares that do not entitle their owners to a whole share, will be sold by the Company and that the consideration for the sale be paid to the beneficiaries, on terms the Board may determine;

(2) Allot to every Shareholder, who holds a fraction of a share resulting from a consolidation and/or split, shares of the class that existed prior to the consolidation and/or split, in a quantity that, when consolidated with the fraction, will constitute a whole share, and such allotment will be considered valid immediately prior to the consolidation or split;

(3) Determine the manner for paying the amounts to be paid for shares allotted in accordance with Article 41(c)(2) above, including on account of bonus shares; and/or

(4) Determine that the owners of fractions of shares will not be entitled to receive a whole Share in respect of a share fraction or that they may receive a whole Share with a different par value than that of the fraction of a share.

42. Except as otherwise provided by or pursuant to these Articles or by the conditions of issue, any new share capital shall be considered as part of the original share capital, and shall be subject to the same provisions of these Articles with reference to payment of calls, lien, transfer, transmission, forfeiture and otherwise, which applies to the original share capital.

MODIFICATION OF CLASS RIGHTS

43. If at any time the share capital is divided into different classes of shares, any change to the rights and privileges of the holders of any such class of shares shall require the approval of a Class Meeting of such class of shares by a Simple Majority (unless otherwise provided by the Statutes or by the terms of issue of the shares of that class).

44. The rights and privileges of the holders of any class of shares shall not be deemed to have been altered by creating or issuing shares of any class, including a new class (unless otherwise provided by the terms of issue of the shares of that class).

BORROWING POWERS

45. The Company may, by resolution of the Board, from time to time, raise or borrow or secure the payment of any sum or sums of money for the purposes of the Company. The Company, by resolution of the Board, may also raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as it deems fit, and in particular by the issue of debentures or debenture stock of the Company charged upon all or any part of the property of the Company (both present and future) including its unissued and/or its uncalled capital for the time being.

GENERAL MEETINGS

46. (a) Annual general meetings shall be held at least once every calendar year in Israel at such exact place and time as determined by the Board, but not later than fifteen (15) months after the last annual general meeting. Such annual general meetings shall be called “Annual Meetings” and all other general meetings of the Company shall be called “Special Meetings”.

(b) The Annual Meeting shall be convened in order to pass resolutions on the following matters:

(1) The election or re-election of directors and the termination of their office;

(2) The appointment of the Auditor or the renewal of its office and the authorization of the Board to determine its remuneration.

(3) Any other business required pursuant to these Articles or the Law, and any other matter as shall be determined by the Board.

(c) The financial statements shall be presented at the Annual Meeting in addition to the Board's report and shareholders shall receive an update regarding the Auditor's remuneration for the past year.

47. The Board may convene a Special Meeting in accordance with the Companies Law, and is required to convene a Special Meeting should it receive a request, in writing, from a person or persons entitled, under the Companies Law, to demand such meeting under applicable law.

Any request from a Shareholder for convening a Special Meeting must specify the purposes for which the meeting is to be called, shall be signed by the persons requesting the meeting, and shall be delivered to the Company's registered offices.

48. In addition, subject to the Law, one or more shareholders holding not less than 1% of the voting rights at the General Meeting (the "Proposing Shareholder(s)") may request, subject to the Companies Law, that Board include a subject on the agenda of a General Meeting to be convened in the future, provided that the Board determines that the matter is appropriate to be considered in a general meeting (a "Proposal Request"). In order for the Board to consider a Proposal Request and whether to include the matter stated therein in the agenda of a general meeting, notice of the Proposal Request must be timely delivered in accordance with applicable laws, and the Proposal Request must comply with the requirement of these Articles (including this Article 48) and any applicable law and stock exchange rules and regulations. The Proposal Request must be in writing, signed by all of the Proposing Shareholder(s) making such request, delivered, either in person or by certified mail, postage prepaid, and received by the Corporate Secretary (or, in the absence thereof by the Chief Executive Officer of the Company). To be considered timely, a Proposal Request must be received within the time periods prescribed by applicable law. The announcement of an adjournment or postponement of a general meeting shall not commence a new time period (or extend any time period) for the delivery of a Proposal Request as described above. In addition to any information required to be included in accordance with applicable law, the Proposal Request must include the following:: (a) the name and address of the Proposing Shareholder (or each Proposing Shareholder, as the case may be) and, if an entity, the name(s) of the person(s) that controls or manages such entity; (b) the number of Shares held by the Proposing Shareholder(s), directly or indirectly (and, if any of such Shares are held indirectly, an explanation of how they are held and by whom), which shall be in such number no less than as is required to qualify as a Proposing Shareholder, accompanied by evidence satisfactory to the Company of the record holding of such Shares by the Proposing Shareholder(s) as of the date of the Proposal Request, and a representation that the Proposing Shareholder(s) intends to appear in person or by proxy at the meeting; (c) a description of all arrangements or understandings between the Proposing Shareholders and any other person or persons (naming such person or persons) in connection with the subject which is requested to be included in the agenda; (d) a declaration that all the information that is required under the Law and any other applicable law and stock exchange rules and regulations to be provided to the Company in connection with such subject, if any, has been provided; (e) a description of all Derivative Transactions (as defined below) by each Proposing Shareholder(s) during the previous twelve (12) month period, including the date of the transactions and the class, series and number of securities involved in, and the material economic terms of, such Derivative Transactions; and (f) the matter requested to be included on the agenda of a general meeting, all information related to such matter, the reason that such matter is proposed to be brought before the general meeting, the complete text of the resolution that the Proposing Shareholder proposes to be voted upon at the general meeting and, if the Proposing Shareholder wishes to have a position statement in support of the Proposal Request, a copy of such position statement that complies with the requirement of any applicable law (if any). In addition, if such subject includes a nomination to the Board in accordance with the Articles, the request shall also set forth the consent of each nominee to serve as a director of the Company if so elected and a declaration signed by each nominee declaring that such nominee meets the requirements of the Law for the appointment of such nominee. Furthermore, the Board, may, in its discretion to the extent it deems necessary, request that the Proposing Shareholders making the request provide additional information necessary so as to include a subject in the agenda of a General Meeting, as the Board may reasonably require.

A "Derivative Transaction" means any agreement, arrangement, interest or understanding entered into by, or on behalf or for the benefit of, any Proposing Shareholder or any of its affiliates or associates, whether of record or beneficial: (1) the value of which is derived in whole or in part from the value of any class or series of shares or other securities of the Company, (2) which otherwise provides any direct or indirect opportunity to gain or share in any gain derived from a change in the value of securities of the Company, (3) the effect or intent of which is to mitigate loss, manage risk or benefit of security value or price changes, or (4) which provides the right to vote or increase or decrease the voting power of, such Proposing Shareholder, or any of its affiliates or associates, with respect to any shares or other securities of the Company, which agreement, arrangement, interest or understanding may include, without limitation, any option, warrant, debt position, note, bond, convertible security, swap, stock appreciation right, short position, profit interest, hedge, right to dividends, voting agreement, performance-related fee or arrangement to borrow or lend shares (whether or not subject to payment, settlement, exercise or conversion in any such class or series), and any proportionate interest of such Proposing Shareholder in the securities of the Company held by any general or limited partnership, or any limited liability company, of which such Proposing Shareholder is, directly or indirectly, a general partner or managing member.

The information required pursuant to this Article 48 shall be updated as of (i) the record date of the general meeting, (ii) five business days before the general meeting, and (iii) as of the general meeting, and any adjournment or postponement thereof.

The provisions of this Article 48 shall apply, *mutatis mutandis,* to any matter to be included on the agenda of a general meeting which is convened pursuant to a request of a Shareholder duly delivered to the Company in accordance with the Companies Law and Article 47.

Notwithstanding anything to the contrary herein, this Article 48 may only be amended, replaced or suspended by a resolution adopted at a general meeting by a majority of at least 65% of the total voting power of the Shareholders.

49. Subject to applicable law, the Board shall determine the agenda of any General Meeting.

<u>Notice of General Meetings</u>

50. Unless it is compulsory by the Law, Statutes or these Articles, the Company shall not give its registered shareholders notice of a general meeting.

PROCEEDINGS AT GENERAL MEETINGS

<u>Quorum</u>

51. No business shall be transacted at any General Meeting of the Company unless a quorum of Shareholders is present at the opening of the meeting.

In the absence of contrary provisions in these Articles, the requisite quorum for any general meeting shall be two or more Shareholders (not in default in payment of any sum referred to in Articles 14 - 21 hereof), present in person or by proxy and holding shares conferring in the aggregate at least thirty- three and one-third percent (33⅓%) of the voting power of the Company, *provided*, *however*, that if (i) such general meeting was initiated by and convened pursuant to a resolution adopted by the Board and (ii) at the time of such general meeting the Company is qualified to use the forms of a "foreign private issuer" under US securities laws, then the requisite quorum shall be two or more Shareholders (not in default in payment of any sum referred to in Articles 14 - 21 hereof) present in person or by proxy and holding Shares conferring in the aggregate at least twenty-five percent (25%) of the voting power of the Company, shall constitute a quorum of general meetings. A proxy may be deemed to be two (2) or more Shareholders pursuant to the number of Shareholders represented by the proxy holder.

52. If within half an hour from the time appointed for the holding of a general meeting a quorum is not present, the General Meeting shall stand adjourned one week thereafter at the same time and place ("Adjourned Meeting"), and the Company shall not be obligated to give notice to the Shareholders of the Adjourned Meeting, or to such other day, time and place as the Board may decide, if so specified in the notice of the general meeting. At such Adjourned Meeting, any number of Shareholders shall constitute a quorum for the business for which the original meeting was called. No business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting as originally called. At such adjourned meeting, if the original meeting was convened upon request under Section 63 of the Companies Law, one or more shareholders, present in person or by proxy, and holding the number of shares required for making such request, shall constitute a quorum, but in any other case any shareholder (not in default as aforesaid) present in person or by proxy, shall constitute a quorum.

Chairman of the General Meeting

53. The Chairman shall preside as the chairman at every General Meeting. However, if there is no such Chairman or if at any meeting the Chairman is not present within fifteen (15) minutes after the time appointed, or is unwilling to act as Chairman, then the Board members present at the meeting shall choose one of the Board members as Chairman of the General Meeting and if they shall not do so then the Shareholders present shall choose a Board member, or if no Board member is present or if all the Board members present decline to take the chair, they shall choose any other person present to be Chairman of the General Meeting.
54. The Chairman may, with the consent of a General Meeting at which a quorum is present, and shall, if so directed by the General Meeting, adjourn any meeting, discussion or the resolution with respect to a matter that is on the agenda, from time to time and from place to place as the meeting shall determine. Except as may be required by the Law, no Shareholder shall be entitled to any notice of an adjournment or of the business to be transacted at an Adjourned Meeting. No business shall be transacted at any Adjourned Meeting other than the business which might have been transacted at the General Meeting from which the adjournment took place.
55. A vote in respect of the election of the Chairman of the General Meeting or regarding a resolution to adjourn the General Meeting shall be carried out immediately. All other matters shall be voted upon during the General Meeting at such time and order as decided by the Chairman.

VOTE OF SHAREHOLDERS

56. All resolutions proposed at any general meeting will require a Simple Majority, unless otherwise required by the Statutes or these Articles. Except as otherwise required by the Statues or these Articles, alteration or amendment of these Articles shall require a Simple Majority.
57. A declaration by the Chairman of the General Meeting that a resolution has been carried, or has been carried unanimously or by a particular majority, or rejected, or not carried by a particular majority as well as an entry to that effect in the minutes of the General Meeting shall be *prima facie* evidence thereof.
58. The Chairman of the General Meeting will not have an additional and/or a casting vote. If the vote is tied with regard to a certain proposed resolution such proposal shall be deemed rejected.
59. If two or more persons are registered as joint holders of any share, the vote of the senior one who tenders a vote, whether in person or by proxy or by a voting instrument, shall be accepted to the exclusion of the votes of the other registered holders of the share, and for this purpose, seniority shall be determined by the order in which the names of the joint holders stand in the Register.
60. Shareholders may vote at shareholders meetings either in person, by proxy or, by a voting instrument. A proxy need not be a Shareholder of the Company.
61. The instrument appointing a proxy shall be in writing duly signed by the appointer or his attorney-in-fact duly authorized in writing. A corporate entity shall vote by a representative duly appointed in writing by such entity.

Any instrument appointing a proxy or a representative of a corporate entity (whether for a specified meeting or otherwise) shall be substantially in the following form and at any rate in a form satisfactory to the Company. Such instrument shall be duly signed by the appointer or his duly authorized attorney or, if such appointer is a company or other corporate body, under its common seal, stamp or printed name or the hand of its duly authorized agent(s) or attorney(s).

"I _________________ (Name of Shareholder) of ____________ (Address of Shareholder) being a shareholder of Caesarstone Ltd., hereby appoint __________ as my proxy to vote for me and on my behalf at the General Meeting of the Company to be held on the ____ day of __________, 20__ and at any Adjourned Meeting(s) thereof.

Signed this ____ day of ______________, 20___.

____

(Signature of Appointer)"

62. Unless otherwise determined by the Board, the instrument of appointment must be submitted to the Office no later than 48 hours prior to the first general meeting to be attended by such proxy or representative. Notwithstanding the above, the chairman of the meeting shall have the right to waive the time requirement provided above with respect to all instruments of appointment and to accept any and all instruments of appointment until the beginning of a general meeting. The instrument of appointment shall automatically terminate and cease to be of any force or effect on the anniversary (12 months) of the date of the instrument of appointment, unless such instrument sets out a different expiry date.

63. A proxy may be appointed in respect of all or some of the shares held by a Shareholder, and a Shareholder may appoint more than one proxy but not more than three proxies on a person's behalf, each empowered to vote by virtue of a portion of the shares held by such Shareholder.

64. A Shareholder being of unsound mind or pronounced to be unfit to vote by a competent court of law may vote through a legally appointed guardian or any other representative appointed by a court of law to vote on behalf of such Shareholder.

65. A Shareholder entitled to vote may signify in writing his approval of, or dissent from, or may abstain from any resolution included in a voting instrument furnished by the Company. A voting instrument may include resolutions pertaining to such issues which are permitted to be included in a voting instrument according to the Statutes, and such other issues which the Board may decide, in a certain instance or in general, to allow voting through a voting instrument. A Shareholder voting through a voting instrument shall be taken into account in determining the presence of a quorum as if such Shareholder is present at the meeting.

66. The Chairman of the General Meeting shall be responsible for recording the minutes of the General Meeting and any resolution adopted.

67. The provisions of these Articles relating to General Meetings shall apply, *mutatis mutandis*, to Class Meetings.

DIRECTORS

Powers, Number of Directors, Composition & Election

68. The Board shall have and execute all powers and/or responsibilities allocated to the Board by the Statutes and these Articles, including setting the Company's policies and supervision over the execution of the powers and responsibilities of the Chief Executive Officer, including the nomination and termination of the Chief Executive Officer, subject to the provisions of the Statutes. The Board may execute any power of the Company that is not specifically allocated by the Statutes or by these Articles to another organ of the Company.

69.

70. The number of directors on the Board shall be no less than seven (7) but no more than eleven (11), as determined from time to time by the Board, and, to the extent required by the Companies Law, shall include at least two External Directors. Subject to any applicable law, in a resolution approved by a majority of at least 65% of the total voting power of the Company's shareholders, the General Meeting is entitled, at any time and from time to time to change the minimum and or maximum number of directors as stated above.

71. Directors shall be elected at the Annual Meeting by a Simple Majority, other than the External Directors, which will be elected or removed pursuant to the Law and shall be governed by all the relevant provisions of the Law which apply to External Directors.

72. The Board may at any time and from time to time appoint any person as a Director to fill a vacancy (whether such vacancy is due to a Director no longer serving or due to the number of Directors serving being less than the number determined by the Board under Article 70 hereof). In the event of one or more such vacancies in the Board, the continuing Directors may continue to act in every matter, provided, however, that if the number less than the minimum number provided for pursuant to Article 70 hereof, they may only act in an emergency or to fill the office of director which has become vacant up to a number equal to the minimum number provided for pursuant to Article 70 hereof, or in order to call a general meeting of the Company for the purpose of electing Directors to fill any or all vacancies. The office of a Director that was appointed by the Board to fill any vacancy shall only be for the remaining period of time during which the Director whose service has ended was filled would have held office. Notwithstanding anything to the contrary herein, this Article 72 may only be amended, replaced or suspended by a resolution adopted at a general meeting by a majority of at least 65% of the total voting power of the Company's shareholders.

73. (a) A general meeting may remove a director from office prior to the expiry of his or her term in office ("Removed Director"), as described below:

1. By a Simple Majority vote (except for External Directors – who may be dismissed only as set forth under the Law); or

2. By a Simple Majority vote with respect to any director that violates a prudence duty or a fiduciary duty to the Company, provided that the Removed Director shall be given a reasonable opportunity to state his or her case before the general meeting.

(b) Should a director have been removed from office as set forth in subsection (a) above, the General Meeting shall be entitled, in the same session, to elect another director in his or her stead. Should it fail to do so, the Board shall be entitled to do so, pursuant to the provisions of Article 72 above.

(c) Any director who shall have been appointed by way of a resolution as stated in subsection (b) above shall serve in office for the period remaining of the term in office of the Removed Director and shall be qualified to be re-elected.

74. The term of office of a director shall commence or shall cease, as the case may be: (i) on the closing of the Annual Meeting appointing or removing such Director as applicable, (ii) on the date of such director's election by the general meeting pursuant to Article 73 (b) above, or (iii) on the date determined by the Board if such director is appointed pursuant to Article 72, or such other date determined by the Board if authorized pursuant to a resolution of the general meeting.

75.

Chairman of the Board

76. The Board shall appoint one of its members to serve as the Chairman and may replace the Chairman from time to time, by a Simple Majority resolution of the members of the Board. The Chairman shall preside at meetings of the Board, but if at any meeting the Chairman is not present within fifteen (15) minutes after the time appointed for holding the meeting, the present directors shall choose a present director to be chairman of such meeting.

PROCEEDINGS OF THE DIRECTORS

77. The directors shall meet together for the dispatch of business, adjourn and otherwise regulate their meetings as they deem fit, subject to the Law and these Articles.

A written notice of any meeting of the Board shall specify the time and place the meeting shall take place, as well as a reasonable account of the matters to be discussed at such meeting, and shall be given to all directors a reasonable time before the meeting, unless the majority of Board members agree to conduct the meeting without such notice and only in urgent events.

Quorum

78. No business shall be transacted at any meeting of the Board unless a quorum of directors is present when a meeting is called to order. A quorum shall be deemed to exist when there are present personally or represented by an alternate director at least a majority of the directors then in office.

If a quorum is not present at the meeting of the Board within half an hour after the time scheduled for the meeting, the meeting may be adjourned to another time as shall be decided by the Chairman, or in his absence, the directors present at the meeting ("Adjourned Meeting"), provided that notice of twenty four (24) hours (or such shorter notice as all the directors may agree) in advance shall be given to all the directors of the time of the Adjourned Meeting. The directors may waive the necessity of such notice either beforehand or retrospectively. The quorum for the commencement of the Adjourned Meeting shall be three members of the Board.

Methods of Attending Meetings

79. Some or all of the directors may attend meetings of the Board through computer network, telephone or any other media of communication, enabling the directors to communicate with each other simultaneously, in the deemed presence of all of them, provided that due prior notice detailing the time and manner of holding a given meeting is served upon all the directors. The directors may waive the necessity of such notice either beforehand or retrospectively.

Any resolution adopted by the Board in such a meeting, pursuant to the provisions of these Articles, will be recorded in writing (or by other means) and signed by the Chairman (or in his absence by the chairman of the meeting or by another director that was authorized by the board to sign on such minute or resolution), and shall be valid as if adopted at a meeting of the Board duly convened and held.

80. The Board may adopt resolutions in writing (i.e., without actually convening), provided that all the directors then in office entitled to participate in a discussion and vote on a matter brought for resolution have agreed to a resolution without actually convening (in writing, by letter, facsimile, electronic mail or otherwise). A resolution adopted by the Board without actually convening shall require the approval of all the members of the Board entitled to vote thereon and thus approved, shall be deemed to have been adopted by a meeting of the Board duly convened and held.

In case such resolutions were passed, as aforesaid, the Chairman shall write the resolutions protocol and indicate specifically that it was agreed upon by all directors in writing, orally or by other means of media. Any such resolution without actually convening may consist of several counterparts, each signed by one or more directors. Such resolution without actually convening, if in writing, shall be effective as of the last date appearing on the resolution, or if the resolution is signed in two or more counterparts, as of the last date appearing on the counterparts.

81. While exercising his/her voting right, each director shall have one vote. Resolutions of the Board will be decided by a simple majority of the directors present and voting, not taking into consideration abstaining votes, except as otherwise specifically provided in these Articles, by the Statutes or by the Company's Compensation Policy, as adopted pursuant to the provisions of Section 267A of the Law. In the event the vote is tied, the Chairman of the Board shall not have a second or casting vote, and such resolution shall be deemed rejected.

Alternate Director

82. Subject to the Law, a director shall be entitled at any time and from time to time to appoint in writing any person who is qualified to serve as a director, to act as such director alternate and to terminate the appointment of such person. The appointment of an alternate director shall be subject to the consent of the Board. The appointment of an alternate director does not negate the responsibility of the appointing director and such responsibility shall continue to apply to such appointing director – taking into account the circumstances of the appointment.

Alternate directors shall be entitled, while holding office, to receive notices of meetings of the Board and to attend and vote as a director at any meetings at which the appointing director is not present and generally to exercise all the powers, rights, duties and authorities and to perform all functions of the appointing director.

The document appointing an alternate director must be submitted to the Chairman at least 48 hours before the opening of the first Board meeting to be attended by such alternate director. Notwithstanding the above, the Chairman shall have the right to waive the time requirement provided above with respect to a document appointing an alternate director and to accept a document appointing an alternate director until the beginning of the opening of the first Board meeting to be attended by such alternate director.

Committees

83. The Board may establish committees by a vote of the majority Board members and appoint members of the Board to serve in these committees subject to the Statutes. A resolution passed or an act done by such a committee pursuant to an authority granted to such committee by the Board shall be treated as a resolution passed or act done by the Board, unless expressly otherwise prescribed by the Board or the Statutes for a particular matter or in respect of a particular committee. Resolutions and/or recommendations of these committees which require the approval of the Board shall be brought to the directors' attention at a reasonable time before the Board's meeting.

84. Meetings of committees and proceedings thereat (including the convening of the meetings, the election of the Chairman and the votes) shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Board so far as the same are applicable thereto and unless otherwise determined by the Board, including by an adoption of a charter governing the committee proceedings.

Approval of Certain Transactions with Related Parties

85. Subject to the Law, a transaction between the Company and an Office Holder, and a transaction between the Company and another entity in which an Office Holder of the Company has a personal interest, which is not an Extraordinary Transaction (as defined by Law), shall be approved by the Board or a committee of the Board or any other entity (who has no personal interest in the transaction) authorized by the Board. Such authorization, as well as the actual approval by the authorized entity, may be for a particular transaction or more generally for specific type of transactions.

Records & Validity of Acts

86. The resolutions of the Board shall be recorded in the Company's minutes book, as required under the Law, signed by the Chairman or the chairman of a certain meeting. Such signed minutes shall be deemed *prima facie* evidence of the meeting and the resolutions resolved therein.
87. All acts done *bona fide* by any meeting of the Board or of a committee of the Board or by any person acting as a director, shall, notwithstanding it be afterwards discovered that there was some defect in the appointment of any such director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a director.

Chief Executive Officer

88. In accordance with Article 68 above, the Board shall appoint one Chief Executive Officer (or more), for such period and upon such terms as the Board deems fit.
89. The Chief Executive Officer shall have all managing and execution powers within the policies and guidelines set forth by the Board, subject to the provisions of the Law, and shall be under the supervision of the Board. The Chief Executive Officer may delegate any of his powers to his subordinates, subject to the approval of the Board.

INSURANCE, EXCULPATION, AND INDEMNITY

Insurance of Office Holders

90. The Company may insure the liability of an Office Holder, to the fullest extent permitted under the Statutes.

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91. Without derogating from the aforesaid, the Company may enter into a contract to insure the liability of an Office Holder therein, in whole or in part, for an obligation or payment to be imposed on such Office Holder in consequence of an act done in his capacity as an Office Holder, in any of the following cases:

91.1. A breach of the prudence duty *vis-a-vis* the Company or *vis-a-vis* another person to the extent such a breach arising out of the negligent conduct of the Office Holder;
91.2. A breach of the fiduciary duty *vis-a-vis* the Company, provided that the Office Holder acted in good faith and had a reasonable basis to believe that the act would not harm the Company;
91.3. A monetary liability imposed on such Office Holder in favor of another person;
91.4. A monetary liability imposed on such Office Holder in favor of a payment to a breach offended at an Administrative Procedure as set forth in Section 52(54)(a)(1)(a) to the Securities Law;
91.5. Expenses regarding Administrative Procedure conducted in connection with such Office Holder and/or in connection with a monetary sanction, including reasonable litigation expenses and reasonable attorney's fees;
91.6. Any other matter in respect of which it is permitted or will be permitted under the Law to insure the liability of an Office Holder in the Company.

In any case that the Company shall be also entitled to receive insurance compensation under an insurance contract as mentioned in Articles 90 and 91 above, it is hereby agreed that the Officer Holder's rights to receive insurance compensation under such insurance contract will take precedence upon the Company's rights to receive insurance compensation.

Indemnity of Office Holders

92. The Company may indemnify an Office Holder, to the fullest extent permitted under the Statutes. Without derogating from the aforesaid, the Company may indemnify an Office Holder for a liability, payment or expense imposed on such Office Holder or incurred by him in consequence of an act done in his capacity as an Office Holder of the Company, as follows:

92.1. A monetary liability imposed on such Office Holder or incurred by such Office Holder in favor of another person pursuant to a judgment, including a settlement or an arbitrator's award which is given the force of a judgment by court order;
92.2. Reasonable litigation expenses, including reasonable attorney's fees, incurred by an Office Holder in consequence of an investigation or proceeding filed against such Office Holder by an authority that is competent to conduct such investigation or proceeding, provided that (i) no indictment was filed against such Office Holder as a result of such investigation or proceeding (as defined in the Companies Law) ; and (ii) no financial liability, in lieu of criminal proceedings (as defined in the Companies Law), was imposed upon such Office Holder as a substitute for the criminal proceeding as a result of such investigation or proceeding or, if such financial liability was imposed, it was imposed with respect to an offense that does not require proof of criminal intent or in connection with a monetary sanction.
92.3. A monetary liability imposed on such Office Holder in favor of a payment to a breach offended at an Administrative Procedure as set forth in Section 52(54)(a)(1)(a) to the Securities Law;
92.4. Expenses regarding Administrative Procedure conducted regarding such Office Holder, including reasonable litigation expenses, including reasonable attorney's fees.
92.5. Reasonable litigation expenses, including attorney's fees, incurred by an Office Holder or which such Office Holder is ordered to pay by a court, in proceedings filed against such Office Holder by the Company or on its behalf or by another person, or pursuant to a criminal charge of which such Office Holder is acquitted, or a criminal charge pursuant to which such Office Holder is convicted of an offence that does not require proof of criminal intent.
92.6. Any other obligation or expense in respect of which it is permitted or will be permitted under the Statutes to indemnify an Office Holder.

Advance Indemnity

93. The Company may give an advance undertaking to indemnify an Office Holder therein in respect of the following matters:

93.1. Matters as detailed in Article 92.1, provided however, that the undertaking limited to events, which in the opinion of the Board, can be foreseen based on the Company's activities at the time of granting the obligation to indemnify and is limited to a sum or criteria determined by the Board as reasonable under the circumstances. The indemnification undertaking shall specify such events and sum or criteria.
93.2. Matters as detailed in Articles 92.2, 92.3, 92.4, 92.5, and 92.6.

Retroactive Indemnity

94. The Company may indemnify an Office Holder retroactively with respect of the matters as detailed in Article 92, subject to any applicable law.
95. **Exculpation**. The Company may exculpate an Office Holder in advance from such Office Holder liability in whole or in part, for damages caused to the Company as a result of a breach of the duty of care *vis-a-vis* the Company, to the fullest extent permitted under the Statutes. However, the Company may not exculpate a director in advance from his liability toward the Company due to the breach of his duty of care in the event of a Distribution, as defined in the Statutes.

Insurance, Exculpation and Indemnity – General

96. The above provisions with regard to insurance, exculpation and indemnity are not and shall not limit the Company in any way with regard to its entering into an insurance contract and/or with regard to the grant of indemnity and/or exculpation in connection with a person who is not an Office Holder of the Company, including employees, contractors or consultants of the Company, all subject to any applicable Statute.
97. Articles 90 through 96 shall apply *mutatis mutandis* in respect of the grant of insurance, exculpation and/or indemnification for persons serving on behalf of the Company as Office Holders in companies controlled by the Company, or in which the Company has an interest.
98. The provisions of Articles 90 through 96 shall apply to an Alternate Director as referred to in Article 82.
99. An undertaking to exculpation and indemnify an Office Holder in the Company as set forth above shall remain in full force and effect even following the termination of such Office Holder's service with the Company.

APPOINTMENT OF AN AUDITOR

100. Subject to the Statutes, the Annual Meeting shall appoint an Auditor for a period ending at the next Annual Meeting, or for a longer period, but no longer than until the third Annual Meeting after the meeting at which the Auditor has been appointed. The same Auditor may be re-appointed, subject to the provisions of the Statutes.

     The authorities, rights and duties of the Auditor of the Company, shall be regulated by the Law, provided however, that in exercising its authority to determine the remuneration of the Auditor, the Annual Meeting may act (and in the absence of any action in connection therewith shall be deemed to have so acted) to authorize the Board to determine such remuneration subject to such criteria or standards, if any, as may be provided in such resolution of the Annual Meeting, and if no such criteria or standards are so provided, such remuneration shall be determined in an amount commensurate with the volume and nature of the services rendered by such Auditor. The Board shall report the remuneration of the Auditor to the Annual Meeting.

INTERNAL AUDITOR

101. So long as the Company is a public company, the Board shall appoint an Internal Auditor (as defined in the Law), pursuant to the recommendation of the Audit Committee (as defined in the Law).
102. The organizational superior of the Internal Auditor shall be the Chairman. The Internal Auditor shall submit a proposed annual or periodic work plan to the Audit Committee, which will approve such plan with changes as it deems fit, at its discretion.

MERGER AND REORGANIZATION

103. Notwithstanding the provisions of section 327(a) of the Companies Law, the majority required for the approval of a merger by the general meeting or by a class meeting shall be a Simple Majority and otherwise subject to the requirements of sections 314 – 327 of the Companies Law.

SIGNATORIES

104. Signatory rights on behalf of the Company shall be determined from time to time by the Board.

DISTRIBUTIONS

105. The Board may decide on a Distribution, subject to the provisions set forth under the Law and these Articles.
106. The Board will determine the method of payment of any Distribution. The receipt of the person whose name appears on the record date on the Register as the owner of any share, or in the case of joint holders, of any one of such joint holders, shall serve as confirmation with respect to all the payments made in connection with that share and in respect of which the receipt was received. All dividends unclaimed after having been declared may be invested or otherwise used by the Directors for the benefit of the Company until claimed, provided however that the Company shall not be required to accept any claim made following the 7th anniversary of the declaration date, or an earlier date as may be determined by the Board and shareholders shall have no claim or demand against the Company with respect to such unclaimed dividends. No unpaid dividend shall bear interest or accrue linkage differentials.
107. For the purpose of implementing any resolution concerning any Distribution, the Board may settle, as it deems fit, any difficulty that may arise with respect to the Distribution, including determining the value for the purpose of the said Distribution of certain assets, and deciding that payments in cash shall be made to the Shareholders based on the value so determined, and determining provisions with respect to fractions of shares or with respect to the non-payment of small sums.

REDEEMABLE SECURITIES

108. The Company shall be entitled to issue redeemable securities which are, or at the option of the Company may be, redeemed on such terms and in such manner as shall be determined by the Board. Redeemable securities shall not constitute part of the Company's capital, except as provided in the Law.

DONATIONS

109. The Company may make donations of reasonable amounts of money for purposes which the Board deems to be worthy causes, even if the donations are not made in relation to business considerations to increase the Company's profits.

NOTICES

110. Subject to the Statutes, notice or any other document which the Company shall deliver and which it is entitled or required to give pursuant to the provisions of these Articles and/or the Statutes shall be delivered by the Company to any person, in any one of the following manners as the Company may choose: in person, by mail, transmission by fax or by electronic form.

     Any notice or other document which shall be sent shall be deemed to have reached its destination on the third (3rd) day after the day of mailing if sent by registered mail or regular mail - if sent in Israel to a destination in Israel, and on the seventh (7th) business day if sent abroad from Israel and vice versa, or on the first day after delivery: (1) if transmitted by fax or electronic form; or (2) if delivered in person in the boundaries of Israel.

     Should it be required to prove delivery, it shall be sufficient to prove that the notice or document sent contains the correct mailing, e-mail, or fax details as registered in the Register or any other address which the Shareholder submitted in writing to the Company as the address and fax or e-mail details for the submission of notices or other documents.

     Notwithstanding anything to the contrary contained herein and subject to the provisions of the Statutes, a notice to a Shareholder may be served, as general notice to all Shareholders, in accordance with applicable rules and regulations of any stock market upon which the Company's shares are listed.

     Subject to the Statutes, in cases where it is necessary to give advance notice of a particular number of days or notice which shall remain in effect for a particular period, the day the notice was sent shall be excluded and the scheduled day of the meeting or the last date of the period shall be included in the count.

Subject to the Statutes, the Company shall not be required to send notices to any Shareholder who is not registered in the Register or has not provided the Company with accurate and sufficient mailing details.

111. Any notice to be given to the Shareholders shall be given, with respect to joint shareholders, to the person whose name appears first in the Register as the holder of the said share, and any notice so given shall be sufficient notice for all holders of the said share.

112. Any notice or other document served upon or sent to any Shareholder in accordance with these Articles shall, notwithstanding that such shareholder be then deceased or bankrupt, and whether the Company received notice of such shareholder death or bankruptcy or not, be deemed to be duly served or sent in respect of any shares held by such shareholder (either alone or jointly with others) until some other person is registered in such shareholder stead as the holder or joint holder of such shares, and such service or sending shall be a sufficient service or sending on or to such shareholder heirs, executors, administrators or assigns and all other persons (if any) interested in such share.

113. The accidental omission to give notice to any Shareholder or the non-receipt of any such notice shall not cancel or annul any action made in reliance on the notice.

FORUM FOR ADJUDICATION OF DISPUTES

114. (a) Unless the Company consents in writing to the selection of an alternative forum, the federal district courts of the United States of America, shall be the exclusive forum for the resolution of any complaint asserting a cause or causes of action arising under the U.S. Securities Act of 1933, as amended, including all causes of action asserted against any defendant to such complaint. For the avoidance of doubt, this provision is intended to benefit and may be enforced by the Company, its officers and directors, the underwriters to any offering giving rise to such complaint, and any other professional or entity whose profession gives authority to a statement made by that person or entity and who has prepared or certified any part of the documents underlying the offering. The foregoing provisions of this Article 114 shall not apply to causes of action arising under the U.S. Securities Exchange Act of 1934, as amended.

(b) Unless the Company consents in writing to the selection of an alternative forum, the competent courts in Tel Aviv, Israel shall be the exclusive forum for (i) any derivative action or proceeding brought on behalf of the Company, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Company to the Company or the Company’s shareholders, or (iii) any action asserting a claim arising pursuant to any provision of the Companies Law or the Securities Law.

(c) Any person or entity purchasing or otherwise acquiring or holding any interest in shares of the Company shall be deemed to have notice of and consented to the provisions of this Article.

Exhibit 2.1

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

of As of December 31, 2023, Caesarstone Ltd., an Israeli company (the "Company," "we," or "our"), has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: the Company's ordinary shares, par value NIS 0.04 per share. The following is a summary of some of the terms of our ordinary shares based on our articles of association (the "Articles"), as may be amended and restated from time to time, and Israeli law.

The following summary is not complete and is not subject to, and is qualified in its entirety by reference to, the provisions of our Articles and Israeli law.

Type of Securities: Ordinary shares, par value NIS 0.04 per share ("ordinary shares").

Name of exchange on which registered: Our ordinary shares have been trading on the Nasdaq Global Select Market under the symbol "CSTE" since March 2012.

Share Capital: Our authorized share capital consists of 200,000,000 ordinary shares. All of our issued and outstanding ordinary shares are validly issued, fully paid and non-assessable. Our ordinary shares are not redeemable and do not have any preemptive rights.

Restrictions on shares: Our ordinary shares are not redeemable and do not have preemptive rights. The ownership or voting of ordinary shares by non-residents of Israel is not restricted in any way by our Articles or the laws of the State of Israel, except for citizens of countries which are, or have been in a state of war with Israel or under anti-terror legislation.

Voting: Holders of our ordinary shares have one vote for each ordinary share held on all matters submitted to a vote of shareholders at a shareholder meeting. Shareholders may vote at shareholder meetings either in person, by proxy or, with respect to certain resolutions, by a voting instrument.

Israeli law does not allow public companies to adopt shareholder resolutions by means of written consent in lieu of a shareholder meeting. Shareholder voting rights may be affected by the grant of any special voting rights to the holders of a class of shares with preferential rights that may be authorized in the future.

Transfer of shares: Fully paid ordinary shares are issued in registered form and may be freely transferred under our Articles unless the transfer is restricted or prohibited by another instrument, Israeli law or the rules of a stock exchange on which the shares are traded.

Election of directors: Our ordinary shares do not have cumulative voting rights for the election of directors. Rather, under our Articles our directors are elected by the holders of a simple majority of our ordinary shares at a general shareholder meeting (excluding abstentions). As a result, the holders of our ordinary shares that represent more than a majority of the voting power represented at a shareholder meeting and voting thereon (excluding abstentions) have the power to elect any or all of our directors whose positions are being filled at that meeting, subject to the special approval requirements for external directors.

Number of directors: Our Articles set forth that the size of our board of directors shall be of no less than seven and no more than 11 directors, including external directors, as determined from time to time by the board of directors, and, to the extent required under the Companies Law, shall include at least two external directors. Our Articles further specify that the shareholders, in a resolution approved at a general meeting by shareholder(s) holding at least 65% of our voting power, may adjust the minimum and maximum number of directors from time to time.

Dividend and liquidation rights: Under Israeli law, we may declare and pay dividends only if, upon the determination of our board of directors, there is no reasonable concern that the distribution will not prevent us from being able to meet the terms of our existing and foreseeable obligations as they become due. Under the Companies Law, the distribution amount is further limited to the greater of retained earnings or earnings generated over the two most recent years legally available for distribution. In the event that we do not have retained earnings or earnings generated over the two most recent years legally available for distribution, we may seek the approval of the court in order to distribute a dividend. The court may approve our request if it is convinced that there is no reasonable concern that the payment of a dividend will prevent us from satisfying our existing and foreseeable obligations as they become due.

In the event of our liquidation, after satisfaction of liabilities to creditors, our assets will be distributed to the holders of ordinary shares on a pro-rata basis. Dividend and liquidation rights may be affected by the grant of preferential dividend or distribution rights to the holders of a class of shares with preferential rights that may be authorized in the future.

Shareholder meetings: Under Israeli law, we are required to hold an annual general meeting of our shareholders once every calendar year and no later than 15 months after the date of the previous annual general meeting. All meetings other than the annual general meeting of shareholders are referred to in our Articles as special general meetings. Our board of directors may call special general meetings of our shareholders whenever it sees fit, at such time and place, as it may determine. In addition, the Companies Law provides that our board of directors is required to convene a special general meeting of our shareholders upon the written request of (i) any two or more of our directors, (ii) one-quarter or more of the serving members of our board of directors or (iii) one or more shareholders holding, in the aggregate, either (a) 5% or more of our outstanding issued shares and 1% or more of our outstanding voting power or (b) 5% or more of our outstanding voting power.

Under Israeli law, one or more shareholders holding at least 1% of the voting rights at the general meeting of the shareholders may request that the board of directors include a matter in the agenda of a general meeting of the shareholders to be convened in the future, provided that it is appropriate to discuss such a matter at the general meeting. Our Articles contain procedural guidelines and disclosure items with respect to the submission of shareholder proposals for general meetings.

Subject to the provisions of the Companies Law and the regulations promulgated thereunder, shareholders entitled to participate and vote at general meetings of shareholders are the shareholders of record on a date to be decided by the board of directors, which, as a company listed on an exchange outside Israel, may be between four and 40 days prior to the date of the meeting. Furthermore, the Companies Law requires that resolutions regarding the following matters must be passed at a general meeting of shareholders:

- amendments to our Articles (in addition to the approval by our board of directors, as required pursuant to our Articles);
- appointment, terms of service or and termination of service of our auditors;
- appointment of directors, including external directors (if applicable);
- approval of certain related party transactions;

- increases or reductions of our authorized share capital;
- a merger; and
- the exercise of our board of directors' powers by a general meeting, if our board of directors is unable to exercise its powers and the exercise of any of its powers is required for our proper management.

The Companies Law requires that a notice of any annual general meeting or special general meeting be provided to shareholders at least 21 days prior to the meeting and if the agenda of the meeting includes, among other things, the appointment or removal of directors, the approval of transactions with office holders or interested or related parties, or an approval of a merger, notice must be provided at least 35 days prior to the meeting. Under the Companies Law and Articles, shareholders are not permitted to take action by way of written consent in lieu of a meeting.

Quorum: Pursuant to our Articles, holders of our ordinary shares have one vote for each ordinary share held on all matters submitted to a vote before the shareholders at a general meeting of shareholders. The quorum required for our general meetings of shareholders consists of at least two shareholders present in person or by proxy who hold or represent between them at least 33 1⁄3% of the total outstanding voting rights, provided, however, that with respect to any general meeting that was convened pursuant to a resolution adopted by the board of directors and which at the time of such general meeting we qualify to use the forms and rules of a "foreign private issuer," the requisite quorum shall consist of two or more shareholders present in person or by proxy who hold or represent between them at least 25% of the total outstanding voting rights. The requisite quorum shall be present within half an hour of the time fixed for the commencement of the general meeting. A general meeting adjourned for lack of a quorum shall be adjourned either to the same day in the next week, at the same time and place, to such day and at such time and place as indicated in the notice to such meeting, or to such day and at such time and place as the chairperson of the meeting shall determine. At the reconvened meeting, any number of shareholders present in person or by proxy shall constitute a quorum, unless a meeting was called pursuant to a request by our shareholders, in which case the quorum required is one or more shareholders, present in person or by proxy and holding the number of shares required to call the meeting as described above..

Resolutions: Under the Companies Law, unless otherwise provided in the Articles or applicable law, all resolutions of the shareholders require a simple majority of the voting rights represented at the meeting, in person, by proxy or, with respect to certain resolutions, by a voting instrument, and voting on the resolution (excluding abstentions). However, unless otherwise required by the Articles, any amendment to our Articles shall require, together with a simple majority of the voting rights represented at the meeting, the additional approval of the board of directors with the affirmative vote of a majority of the then serving directors. A resolution for the voluntary winding up of the company requires the approval by the holders of 75% of the voting rights represented at the meeting, in person, by proxy and voting on the resolution (excluding abstentions).

Access to corporate records: Under the Companies Law, all shareholders generally have the right to review minutes of our general meetings, our shareholder register and register of significant shareholders (as defined in the Companies Law), our Articles, our financial statements, other documents as provided in the Companies Law, and any document we are required by law to file publicly with the Israeli Companies Registrar or with the Israel Securities Authority. Any shareholder who specifies the purpose of its request may request to review any document in our possession that relates to: (i) any action or transaction with a related party which requires shareholder approval under the Companies Law; or (ii) the approval, by the board of directors, of an action in which an office holder has a personal interest. We may deny a request to review a document if we determine that the request was not made in good faith, that the document contains a commercial secret or a patent or that the document's disclosure may otherwise impair our interests.

Acquisitions under Israeli law

Full tender offer

A person wishing to acquire shares of an Israeli public company and who would as a result hold over 90% of the target company's issued and outstanding share capital or that of a certain class of shares is required by the Companies Law to make a tender offer to all of the company's shareholders or the shareholders who holds shares of the same class for the purchase of all of the issued and outstanding shares of the company or of the same class, as applicable.

If the shareholders who do not respond to or accept the offer hold less than 5% of the issued and outstanding share capital of the company or of the applicable class of the shares, and more than half of the shareholders who do not have a personal interest in the offer accept the offer, all of the shares that the acquirer offered to purchase will be transferred to the acquirer by operation of law. However, a tender offer will be accepted if the shareholders who do not accept it hold less than 2% of the issued and outstanding share capital of the company or of the applicable class of the shares.

Upon a successful completion of such a full tender offer, any shareholder that was an offeree in such tender offer, whether such shareholder accepted the tender offer or not, may, within six months from the date of acceptance of the tender offer, petition the Israeli court to determine whether the tender offer was for less than fair value and that the fair value should be paid as determined by the court. However, under certain conditions, the offeror may determine in the terms of the tender offer that an offeree who accepted the offer will not be entitled to petition the Israeli court as described above.

If a tender offer is not accepted in accordance with the requirements set forth above, the acquirer may not acquire shares from shareholders who accepted the tender offer that will increase its holdings to more than 90% of the company's issued and outstanding share capital or of the applicable class.

Special tender offer

The Companies Law provides that an acquisition of shares of an Israeli public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of at least 25% of the voting rights in the company. This rule does not apply if there is already another holder of at least 25% of the voting rights in the company. Similarly, the Companies Law provides that an acquisition of shares in a public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of more than 45% of the voting rights in the company, if there is no other shareholder of the company who holds more than 45% of the voting rights in the company.

These requirements do not apply if the acquisition (i) occurs in the context of a private offering, on the condition that the shareholders' meeting approved the acquisition as a private offering whose purpose is to give the acquirer at least 25% of the voting rights in the company if there is no person who holds at least 25% of the voting rights in the company, or as a private offering whose purpose is to give the acquirer 45% of the voting rights in the company, if there is no person who holds 45% of the voting rights in the company; (ii) was from a shareholder holding at least 25% of the voting rights in the company and resulted in the acquirer becoming a holder of at least 25% of the voting rights in the company; or (iii) was from a holder of more than 45% of the voting rights in the company and resulted in the acquirer becoming a holder of more than 45% of the voting rights in the company.

The special tender offer may be consummated only if (i) at least 5% of the voting power attached to the company's outstanding shares will be acquired by the offeror and (ii) the special tender offer is accepted by a majority of the votes of those offerees who gave notice of their position in respect of the offer; in counting the votes of offerees, the votes of a holder of control in the offeror, a person who has personal interest in acceptance of the special tender offer, a holder of at least 25% of the voting rights in the company, or any person acting on their or on the offeror's behalf, including their relatives or companies under their control, are not taken into account.

In the event that a special tender offer is made, a company's board of directors is required to express its opinion on the advisability of the offer or shall abstain from expressing any opinion if it is unable to do so, provided that it gives the reasons for its abstention. In addition, the board of directors must disclose any personal interest each of the members of the board of directors have in the offer or stems therefrom.

An office holder in a target company who, in his or her capacity as an office holder, performs an action the purpose of which is to cause the failure of an existing or foreseeable special tender offer or is to impair the chances of its acceptance, is liable to the potential purchaser and shareholders for damages resulting from his acts, unless such office holder acted in good faith and had reasonable grounds to believe he or she was acting for the benefit of the company. However, office holders of the target company may negotiate with the potential purchaser in order to improve the terms of the special tender offer, and may further negotiate with third parties in order to obtain a competing offer.

If a special tender offer was accepted by a majority of the shareholders who announced their stand on such offer, then shareholders who did not respond to the special offer or had objected to the special tender offer may accept the offer within four days of the last day set for the acceptance of the offer.

In the event that a special tender offer is accepted, then the purchaser or any person or entity controlling it and any corporation controlled by them shall refrain from making a subsequent tender offer for the purchase of shares of the target company and may not execute a merger with the target company for a period of one year from the date of the offer, unless the purchaser or such person or entity undertook to effect such an offer or merger in the initial special tender offer.

Merger

The Companies Law permits merger transactions if approved by each party's board of directors and, unless certain requirements described under the Companies Law are met, a majority of each party's shareholders, by a majority of each party's shares that are voted on the proposed merger at a shareholders' meeting.

The board of directors of a merging company is required pursuant to the Companies Law to discuss and determine whether in its opinion there exists a reasonable concern that as a result of a proposed merger, the surviving company will not be able to satisfy its obligations towards its creditors, taking into account the financial condition of the merging companies. If the board of directors has determined that such a concern exists, it may not approve a proposed merger. Following the approval of the board of directors of each of the merging companies, the boards of directors must jointly prepare a merger proposal for submission to the Israeli Registrar of Companies.

For purposes of the shareholder vote, unless a court rules otherwise, the merger will not be deemed approved if a majority of the shares voting at the shareholders meeting (excluding abstentions) that are held by parties other than the other party to the merger, any person who holds 25% or more of the means of control of the other party to the merger or any one on their behalf including their relatives or corporations controlled by any of them, vote against the merger.

In addition, if the non-surviving entity of the merger has more than one class of shares, the merger must be approved by each class of shareholders.

If the transaction would have been approved but for the separate approval of each class of shares or the exclusion of the votes of certain shareholders as provided above, a court may still rule that the company has approved the merger upon the request of holders of at least 25% of the voting rights of a company, if the court holds that the merger is fair and reasonable, taking into account the appraisal of the merging companies' value and the consideration offered to the shareholders.

Under the Companies Law, each merging company must send a copy of the proposed merger plan to its secured creditors. Unsecured creditors are entitled to receive notice of the merger, as provided by the regulations promulgated under the Companies Law. Upon the request of a creditor of either party to the proposed merger, the court may delay or prevent the merger if it concludes that there exists a reasonable concern that, as a result of the merger, the surviving company will be unable to satisfy the obligations of the target company. The court may also give instructions in order to secure the rights of creditors.

In addition, a merger may not be completed unless at least 50 days have passed from the date that a proposal for approval of the merger was filed with the Israeli Registrar of Companies and 30 days from the date that shareholder approval of both merging companies was obtained.

Anti-takeover measures

The Companies Law allows us to create and issue shares having rights different from those attached to our ordinary shares, including shares providing certain preferred or additional rights to voting, distributions or other matters and shares having preemptive rights. We do not have any authorized or issued shares other than ordinary shares. In the future, if we do create and issue a class of shares other than ordinary shares, such class of shares, depending on the specific rights that may be attached to them, may delay or prevent a takeover or otherwise prevent our shareholders from realizing a potential premium over the market value of their ordinary shares. The authorization of a new class of shares will require an amendment to our Articles which requires the prior approval of a majority of our shares represented and voting at a general meeting. Shareholders voting at such a meeting will be subject to the restrictions under the Companies Law described in "—Voting."

Tax law

Israeli tax law treats some acquisitions, such as stock-for-stock swaps between an Israeli company and a foreign company, less favorably than U.S. tax law. For example, Israeli tax law may subject a shareholder who exchanges ordinary shares in an Israeli company for shares in a non-Israeli corporation to immediate taxation unless such shareholder receives an advanced ruling from the Israeli Tax Authority for different tax treatment.

Changes in capital

Our Articles enable us to increase or reduce our share capital. Any such changes are subject to the provisions of the Companies Law and must be approved by a resolution duly passed by our shareholders at a general or special meeting by voting on such change. All of our issued and outstanding shares are of equal rights between them.

Furthermore, our Articles provide that we may, or our shareholders may authorize, the following changes to our share capital:

- alter or add classes of shares that will constitute our authorized capital, including shares with preference rights, deferred rights, conversion rights or any other special rights or limitations
- consolidate and/or split all or any of its share capital into shares of larger or smaller par value than the existing shares;
- cancel any registered shares not yet allocated, provided that we have not many any commitment to allocate such shares;
- reduce our share capital and any reserved fund for redemption of capital.

Exclusive forum

Our Articles provide that unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. Accordingly, both U.S. state and federal courts have jurisdiction to entertain such claims. This choice of forum provision may limit a shareholder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees and may increase the costs associated with such lawsuits, which may discourage such lawsuits against us and our directors, officers and employees. Alternatively, if a court were to find these provisions of our Articles inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business and financial condition. Any person or entity purchasing or otherwise acquiring any interest in our share capital shall be deemed to have notice of and to have consented to the choice of forum provisions of our Articles described above. This provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act or any other claim for which the U.S. federal courts have exclusive jurisdiction.

Our Articles also provide that unless we consent in writing to the selection of an alternative forum, the competent courts in Tel Aviv, Israel shall be the exclusive forum for any derivative action or proceeding brought on behalf of the Company, any action asserting a breach of a fiduciary duty owed by any of our directors, officers or other employees to the Company or our shareholders or any action asserting a claim arising pursuant to any provision of the Companies Law or the Israeli Securities Law.

Establishment

We were incorporated under the laws of the State of Israel on December 31, 1989. Our predecessor commenced operations in 1987. We are registered with the Israeli Registrar of Companies in Jerusalem. Our registration number is 51-143950-7. Our purpose as set forth in Article 5 of our articles of association is to engage in any lawful business.

Transfer agent and registrar

The transfer agent and registrar for our ordinary shares is American Stock Transfer & Trust Company. Its address is 6201 15th Avenue, Brooklyn, New York 11219, and its telephone number is (800) 937-5449.

Exhibit 4.13

COMPENSATION POLICY

CAESARSTONE LTD.

Compensation Policy for Executive Officers and Directors

as amended on October 30, 2023

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A. <u>Overview and Objectives</u>

1. Introduction

This document sets forth the Compensation Policy for Executive Officers and Directors (this "**Compensation Policy**" or "**Policy**") of Caesarstone Ltd. ("**Caesarstone**" or the "**Company**"), in accordance with the requirements of the Companies Law, 5759-1999 (the "**Companies Law**").

Compensation is a key component of Caesarstone's overall human capital strategy to attract, retain, reward, and motivate highly skilled individuals that will enhance Caesarstone's value and otherwise assist Caesarstone to reach its business and financial long-term goals. Accordingly, the structure of this Policy is established to tie the compensation of each officer to Caesarstone's goals and performance.

For purposes of this Policy, "Executive Officers" shall mean "Office Holders" as such term is defined in Section 1 of the Companies Law, excluding, unless otherwise expressly indicated herein, Caesarstone's directors.

This Compensation Policy shall apply to compensation agreements and arrangements which will be approved after the date on which this Compensation Policy is adopted and shall serve as Caesarstone's Compensation Policy for three (3) years commencing as of its adoption.

The Compensation Committee and the Board of Directors of Caesarstone (the "**Compensation Committee**" and the "**Board**", respectively) shall review and reassess the adequacy of this Policy from time to time, as required by the Companies Law.

It is hereby clarified that nothing in this Compensation Policy shall be deemed to grant any of Caesarstone's Executive Officers or directors or employees or any third party any right or privilege in connection with their employment by the Company. Such rights and privileges shall be solely governed by the respective personal employment agreements.

2. Objectives

Caesarstone's objectives and goals in setting this Compensation Policy are to attract, motivate and retain highly experienced personnel who will provide leadership for Caesarstone's success and enhance shareholder value, while supporting a performance culture that is based on merit, and differentiates and rewards excellent performance in the long term, while recognizing Caesarstone's core values. To that end, this Policy is designed, among others:

2.1. To closely align the interests of the Executive Officers with those of Caesarstone's shareholders in order to enhance shareholder value;

2.2. To align the Executive Officers' compensation with Caesarstone's short and long-term goals and performance;

2.3. To provide the Executive Officers with a structured compensation package, including competitive salaries, performance-motivating cash and equity incentive programs and benefits, and to promote for each Executive Officer an opportunity to advance in a growing organization;

2.4. To strengthen the retention and the motivation of Executive Officers in the long term;

2.5. To provide appropriate awards in order to incentivize superior individual excellence and corporate performance; and

2.6. To maintain consistency in the way Executive Officers are compensated.

3. **Compensation Instruments**

3.1. Compensation instruments under this Compensation Policy may include the following:

3.1.1. Base salary;

3.1.2. Benefits and perquisites;

3.1.3. Cash bonuses;

3.1.4. Equity based compensation; and

3.1.5. Retirement and termination of service arrangements.

3.2. Any grant of a compensation instrument shall be subject to this Compensation Policy and to the obtainment of all approvals required under any applicable law.

4. **Inter-Company Compensation Ratio**

4.1. In the process of drafting this Policy, the Compensation Committee and the Board have examined the ratio between employer cost associated with the engagement of the Executive Officers and the average and median employer cost of the other employees of Caesarstone (including contractor employees as defined in the Companies Law), per territory and on a global basis (the "**Ratio**").

4.2. The possible ramifications of the Ratio on the work environment in Caesarstone were examined and will continue to be examined by the Company from time to time in order to ensure that levels of executive compensation, as compared to the overall workforce will not have a negative impact on work relations in Caesarstone.

5. **Overall Compensation - Ratio Between Fixed and Variable Compensation**

5.1. This Policy aims to balance the mix of "Fixed Compensation" (comprised of base salary and benefits) and "Variable Compensation" (comprised of cash bonuses and equity-based compensation) in order to, among other things, appropriately incentivize Executive Officers to meet Caesarstone's short- and long-term goals while taking into consideration the Company's need to manage a variety of business risks.

5.2. The value of the annual target Variable Compensation of each Executive Officer, to which such Executive Officer may be entitled subject to meeting his or her respective key performance indicators and/or by way of equity-based incentives, shall be at least 30% of such Executive Officer's annual Fixed Compensation.

B. <u>Base Salary, Benefits and Perquisites</u>

6. **Base Salary**

6.1. A base salary provides stable compensation to Executive Officers and allows Caesarstone to attract and retain competent executive talent and maintain a reliable management team. The base salary varies between Executive Officers, and is individually determined according to the educational background, prior vocational experience, qualifications, role, business responsibilities and the past performance of each Executive Officer.

6.2. Since a competitive base salary is essential to Caesarstone's ability to attract and retain highly skilled professionals, Caesarstone will seek to establish a base salary that is competitive with the base salaries paid to comparable Executive Officers, while considering, among others, Caesarstone's size, performance and field of operation and the geographical location of the employed Executive Officer as well as his personal and professional skills. To that end, Caesarstone shall utilize as a reference, comparative market data and practices, which may include, among others, a compensation survey that compares and analyses the level of the overall compensation package offered to an Executive Officer of the Company with compensation packages in similar positions to that of the relevant officer in other companies operating in sectors which are similar in their characteristics to Caesarstone's, as much as possible, while considering, among others, such companies' size and characteristics including their revenues, profitability rate, number of employees and operating arena (in Israel or globally), which shall be reviewed by the Compensation Committee. Such compensation survey may be conducted internally or through an external consultant.

6.3. The Compensation Committee and the Board may periodically consider and approve base salary adjustments for Executive Officers. The main considerations for salary adjustment are similar to those used in initially determining the base salary, but may also include, among others, change of role or responsibilities, recognition for professional achievements, regulatory or contractual requirements, relocation, budgetary constraints or market trends. The Compensation Committee and the Board will also consider the previous and existing compensation arrangements of the Executive Officer whose base salary is being considered for adjustment.

6.4. The base salary, for the purpose of this Policy, means the monthly fixed payment due to an Executive Officer, whether an Executive Officer is an employee who is paid a salary or a contractor whose monthly consideration is paid against a tax invoice, in which case, the base salary shall be deemed as 75% of the monthly payment against a tax invoice.

7. **Benefits**

7.1. The following benefits may be granted to the Executive Officers in order, among other things, to comply with legal requirements:

7.1.1. Vacation days in accordance with applicable law and market practice;

7.1.2. Sick days in accordance with applicable law and market practice;

7.1.3. Convalescence pay according to applicable law and market practice;

7.1.4. Monthly remuneration for a study fund, as allowed by applicable law and with reference to Caesarstone's practice and market practice;

7.1.5. Caesarstone shall contribute on behalf of the Executive Officer to an insurance policy or a pension fund, as allowed by applicable law and with reference to Caesarstone's policies and procedures and the practice in peer group companies; and

7.1.6. Caesarstone shall contribute on behalf of the Executive Officer towards work disability insurance, as allowed by applicable law and with reference to Caesarstone's policies and procedures and to the practice in peer group companies.

Non-Israeli Executive Officers may receive other similar, comparable or customary benefits as applicable in the relevant jurisdiction in which they are employed. Such customary benefits shall be determined based on the methods described in Section 6.2 of this Compensation Policy (with the necessary changes).

7.2. In the event an Executive Officer relocates, such Executive Officer may receive other similar, comparable or customary benefits as applicable in the relevant jurisdiction in which he or she is employed. Such benefits shall include reimbursement of out of pocket one-time payments and other ongoing expenses, such as real estate broker fees, moving costs, car allowance, and home leave visit, etc.

7.3. Caesarstone may offer additional benefits to its Executive Officers, which will be comparable to customary market practices, such as, but not limited to: cellular phone benefits, company car and travel benefits, reimbursement of business travel expenses, including a daily stipend when traveling, and other business related expenses, insurances, professional licenses, membership fees in professional organizations and other benefits (such as newspaper subscriptions, academic and professional studies and welfare activities), provided, however, that such additional benefits shall be determined in accordance with Caesarstone's policies and procedures.

C. <u>Cash Bonuses</u>

8. **Annual Cash Bonuses - The Objective**

8.1. Compensation in the form of an annual cash bonus is an important element in aligning Executive Officers' compensation with Caesarstone's objectives and business goals. Therefore, a pay-for-performance element is an important part of compensation, as payout eligibility and levels are determined based on actual financial and operational results, as well as individual performance.

8.2. An annual cash bonus may be awarded to Executive Officers upon the attainment of pre-set periodical objectives and individual targets determined by the CEO and approved by the Compensation Committee at the beginning of each fiscal year or several fiscal years, or upon engagement, in case of newly hired Executive Officers, taking into account Caesarstone's short and long-term goals, as well as its compliance and risk management policies. The Compensation Committee and the Board shall also determine applicable minimum thresholds that must be met for entitlement to the annual cash bonus (all or any portion thereof) and the formula for calculating the annual cash bonus payout. In special circumstances, as determined by the Compensation Committee and the Board (e.g., regulatory changes, changes in Caesarstone's business environment, objectives or timelines, a significant organizational change and a significant merger and acquisition events), the Compensation Committee and the Board may modify the bonus plan during the calendar year.

8.3. In the event the employment of an Executive Officer is terminated prior to the end of a fiscal year, the Company may pay such Executive Officer a full annual cash bonus (provided that the termination date occurs in the third or fourth quarter of such fiscal year) or a prorated one. Such bonus will become due on the termination day of the Executive Officer's engagement with the Company or on the same scheduled date for annual cash bonus payments by the Company.

8.4. The actual annual cash bonus to be awarded to Executive Officers shall be approved by the Compensation Committee and the Board.

9. **Annual Cash Bonuses - The Formula**

Executive Officers other than the CEO

9.1. The annual cash bonus of Caesarstone's Executive Officers other than Caesarstone's chief executive officer ("**CEO**" and "**VPs**", respectively) will be based on the measurable objectives of the Company, measurable personal objectives or a discretionary evaluation of the VP's overall performance by the CEO (up to 25%) and subject to a minimum threshold. The objectives will be recommended annually by Caesarstone's CEO and approved by the Compensation Committee on the basis of, but not limited to, Company and personal objectives. Examples of measurable objectives that will be considered include: business and operational objectives (such as revenue, adjusted EBITDA and operating profit objectives, initiation of new markets and products, operational efficiency); customer focus (such as customer satisfaction); project milestones (such as product implementation in production, product acceptance and new product penetration) and investment in human capital (such as employee satisfaction, employee retention and employee training and leadership programs).

9.2. The annual cash bonus which may be awarded to each of the VPs will not exceed such VP's monthly base salary multiplied by eight (8).

CEO

9.3. The annual bonus of Caesarstone's CEO will be based mainly on measurable objectives of the Company and subject to a minimum threshold. The measurable objectives will be approved by the Compensation Committee and the Board at the commencement of each fiscal year or several fiscal years (or upon engagement, in case of newly hired CEO or in special circumstances as indicated in Section 8.2 above).

9.4. The annual cash bonus which may be awarded to Caesarstone's CEO with respect to a fiscal year shall not exceed an amount equal to 2.5% of Caesarstone's adjusted net income in such fiscal year and in any case the accumulated amount of the annual bonus and the annual base salary of the CEO shall not exceed two (2) million US dollars.

9.5. The annual cash bonus will be based mainly (at least 75%) on measurable objectives, and, with respect to its less significant part (up to 25%), may be based on a discretionary evaluation of the CEO's overall performance by the Compensation Committee and the Board based on quantitative and qualitative criteria.

10. **Other Bonuses**

10.1. Special Bonus. Caesarstone may grant its Executive Officers a special bonus as an award for special achievements (such as in connection with mergers and acquisitions, offerings, achieving target budget or business plan under exceptional circumstances or special recognition in case of retirement) at the CEO's discretion (and in the CEO's case, at the Board's discretion), subject to any additional approval as may be required by the Companies Law (the "**Special Bonus**"). The Special Bonus will not exceed twelve (12) monthly base salaries of the Executive Officer.

10.2. Signing Bonus. Caesarstone may grant a newly recruited Executive Officer a signing bonus at the CEO's discretion (and in the CEO's case, at the Board's discretion), subject to any additional approval as may be required by the Companies Law (the "**Signing Bonus**"). The Signing Bonus will not exceed six (6) monthly base salaries of the Executive Officer's first annual compensation package.

10.3. Relocation Bonus. In the event an Executive Officer relocates, such Executive Officer may receive other similar, comparable or customary benefits as applicable in the relevant jurisdiction in which he or she is employed. Such benefits shall include reimbursement for out of pocket one-time payments and other ongoing expenses, such as real estate broker fees, moving costs, home leave visit, etc. The relocation bonus will not exceed six (6) monthly base salaries of the Executive Officer.

10.4. Non-Compete Grant. Upon termination of employment and subject to applicable law, Caesarstone may grant to its Executive Officers a non-compete grant as an incentive to refrain from competing with Caesarstone for a defined period of time. The terms and conditions of the non-compete grant shall be decided by the Board and shall not exceed such Executive Officer's monthly base salary multiplied by twelve (12).

11. **Compensation Recovery ("Clawback")**

11.1. In the event of an accounting restatement, Caesarstone shall be entitled to recover from its Executive Officers the annual bonus compensation or performance-based equity compensation in the amount in which such compensation exceeded what would have been paid under the financial statements, as restated, provided that a claim is made by Caesarstone prior to the second anniversary of the fiscal year end of the restated financial statements.

11.2. Notwithstanding the aforesaid, the compensation recovery will not be triggered in the following events:

11.2.1. The financial restatement is required due to changes in the applicable financial reporting standards; or

11.2.2. The Compensation Committee has determined that clawback proceedings in the specific case would be impossible, impractical or not commercially or legally efficient.

11.3. Nothing in this Section 11 derogates from any other "clawback" or similar provisions regarding disgorging of profits imposed on Executive Officers by virtue of applicable securities laws.

11.4. Caesarstone intends to adopt and comply with a "clawback policy" (the "Clawback Policy"), as contemplated pursuant to Rule 10D-1 under the Securities and Exchange Act of 1934, as may be amended from time to time, which directs national securities exchanges, including The Nasdaq Stock Market LLC, to establish listing standards for purposes of complying with Rule 10D-1. The Clawback Policy shall not be limited in terms or substance to Sections 11.1 and 11.2 herein. To the extent there will be any inconsistencies between this Compensation Policy and the Clawback Policy to be adopted by Caesarstone, the latter shall take precedence, except to the extent of any mandatory requirement of the Companies Law, and, for the avoidance of any doubt, no amendments to, or further corporate approvals in connection with, this Compensation Policy will be required in connection with the adoption or subsequent amendments of the Clawback Policy.

D. **<u>Equity Based Compensation</u>**

12. **The Objective**

12.1. The equity based compensation for Caesarstone's Executive Officers is designed in a manner consistent with the underlying objectives in determining the base salary and the annual cash bonus, with its main objectives being to enhance the alignment between the Executive Officers' interests with the long-term interests of Caesarstone and its shareholders, and to strengthen the retention and the motivation of Executive Officers in the long term. In addition, since equity-based awards are to be structured to vest over several years, their incentive value to recipients is aligned with longer-term strategic plans.

12.2. The equity-based compensation may be in a form of share options and/or other equity-based awards, such as restricted share units and phantom options, in accordance with the Company's equity incentive plan in place as may be updated from time to time.

12.3. The equity-based compensation shall be granted from time to time and be individually determined and awarded according to the performance, educational background, prior business experience, qualifications, role and the personal responsibilities of the Executive Officer.

13. **General Guidelines for the Grant of Awards**

13.1. The fair value of the equity based compensation per vesting year (on a linear basis), determined in accordance with acceptable valuation practices at the time of grant, of each of Caesarstone's VPs shall not exceed 0.2% of Caesarstone's market fair value based on the known closing price of the Company's shares on Nasdaq as of the date of grant.

13.2. The fair value of the equity based compensation per vesting year (on a linear basis), determined in accordance with acceptable valuation practices at the time of grant, of Caesarstone's CEO shall not exceed 150% of the CEO's annual base salary.

13.3.

13.4. The Compensation Committee and the Board may approve the grant of equity awards with a cap on the benefit deriving from the exercise of equity-based compensation.

13.5. Equity-based compensation awarded by the Company to employees, Executive Officers or directors shall not be, in the aggregate, in excess of 10% of the Company's share capital on a fully diluted basis at the date of grant.

13.6. All equity-based incentives granted to Executive Officers shall be subject to vesting periods in order to promote long-term retention of the awarded Executive Officers. Unless determined otherwise in a specific award agreement approved by the Compensation Committee and the Board, grants to Executive Officers shall vest gradually over a period of between three (3) to four (4) years or based on performance. The exercise price of options shall be determined in accordance with Caesarstone's equity award policies, the main terms of which shall be disclosed in the annual report of Caesarstone.

13.7. All other terms of the equity awards shall be in accordance with Caesarstone's incentive plans and other related practices and policies. Accordingly, the Board may, following approval by the Compensation Committee, extend the period of time for which an award is to remain exercisable and make provisions with respect to the acceleration of the vesting period of any Executive Officer's awards, including, without limitation, in connection with a change of control, subject to any additional approval if such may be required by the Companies Law.

13.8. The fair value of the equity-based compensation for the Executive Officers will be determined according to acceptable valuation practices at the time of grant.

E. <u>Retirement and Termination of Service Arrangements</u>

14. **Advanced Notice Period and Adjustment Period**

14.1. Caesarstone may provide a VP a prior notice of termination and/or an adjustment period accumulated to up to nine (9) months, during which the VP may be entitled to all of the compensation elements, and to the continuation of vesting of his options.

14.2. Caesarstone may provide the CEO with a prior notice of termination and/or an adjustment period accumulated to up to twelve (12) months, during which the CEO may be entitled to all of the compensation elements, and to the continuation of vesting of his options.

14.3. The Executive Officer shall be required not to compete with the Company during the advanced notice period and the adjustment period.

15. **Additional Retirement and Termination Benefits**

15.1 Arrangements related to termination of service or employment may be determined based on the circumstances of such termination (whether upon retirement, resignation, termination by the Company or otherwise), the term of service or employment of the VP or CEO, his/her compensation package during such period, market practice in the relevant geographic location, Caesarstone's performance during such period and the VP's or CEO's contribution to Caesarstone achieving its goals and maximizing its profits and other considerations that may be found relevant by Caesarstone. For example, the Compensation Committee and the Board may, at their discretion, determine not to provide some or any post-service or employment benefits, compensation or protection, in the event of termination for "cause," which will be as defined in the applicable arrangement or plan document.

15.2 Caesarstone shall provide additional retirement and terminations benefits and payments as may be required by applicable law (e.g., mandatory severance pay under Israeli labor laws), and may provide additional retirement and terminations benefits and payments which will be comparable to customary market practices, provided that such additional retirement and termination benefits together with the termination benefits provided under Section 14.1 and 14.2 shall not exceed 24 monthly base salaries of the Executive Officer.

F. <u>Exculpation, Indemnification and Insurance</u>

16. **Exculpation**

Caesarstone may exempt its directors and Executive Officers in advance for all or any of their liability for damage in consequence of a breach of the duty of care vis-a-vis Caesarstone, to the fullest extent permitted by applicable law.

17. **Insurance and Indemnification**

17.1. Caesarstone may indemnify its directors and Executive Officers to the fullest extent permitted by applicable law, for any liability and expense that may be imposed on the director or Executive Officer, either retroactively or in advance as provided in the indemnity agreement between such individuals and Caesarstone, all subject to applicable law and the Company's articles of association.

17.2. Caesarstone will provide "Directors' and Officers' Liability Insurance" (the "**Insurance Policy**") for its directors and Executive Officers, as follows:

17.2.1. The limit of liability of the insurer shall not exceed US$150 million per claim and in the aggregate for an annual policy and an additional limit of liability, exceeding the limit of liability in the policy, for defense costs in compliance with Section 66 of the Israeli Insurance Contract Law – 1981 (the "**Insurance Law**");

17.2.2. The Insurance Policy, as well as the limit of liability and the premium for each extension or renewal, shall be approved by the Compensation Committee which shall determine whether (i) the sums are reasonable considering Caesarstone's exposures, the scope of coverage and market conditions and (ii) the Insurance Policy reflects then prevailing market conditions, and, provided, further, that the Insurance Policy shall not materially affect the Company's profitability, assets or liabilities; and

17.2.3. The insurance terms and conditions will be the subject of negotiations between the Company and the insurer (and if necessary alternative quotations will be considered). The insurance coverage is and will be extended to indemnify the Company for losses it may incur that derive from a claim against it concerning a wrongful act of the Company alleging a breach of the securities laws. The policy may include priorities for payment of any insurance benefits pursuant to which the rights of the directors and Officers to receive indemnity from the insurer takes precedence over the right of the Company itself.

17.3. The Company shall be entitled, subject to the approval of the Compensation Committee, to the following:

17.3.1. To purchase an insurance coverage for wrongful acts occurring before the effective date of the change in risk (the "**Run Off Coverage**") of up to seven (7) years, from the same insurer or any other insurer, in Israel or overseas;

17.3.2. The limit of liability of the insurer shall not exceed US$150 million per claim and in the aggregate for the term of the policy and an additional limit of liability exceeding the limit of liability in the policy for defense costs in compliance with Section 66 of the Insurance Law;

17.3.3. The Run Off Coverage, as well as the limit of liability and the premium for each extension or renewal, shall be approved by the Compensation Committee which shall determine whether (i) the sums are reasonable considering Caesarstone's exposures, the scope of coverage and market conditions and (ii) the Run Off Coverage reflects then prevailing market conditions, and, provided, further, that the Run Off Coverage shall not materially affect the Company's profitability, assets or liabilities.

17.4. Caesarstone may extend an existing Insurance Policy to include coverage for liability pursuant to a future public offering of securities, provided, however, that Such extension and consequent additional premium shall be approved by the Compensation Committee which shall determine whether (i) the sums are reasonable considering Caesarstone's exposures, the scope of coverage and market conditions and (ii) said extension reflects then prevailing market conditions, and, provided, further, that the extension shall not materially affect the Company's profitability, assets or liabilities.

17.5. Any other insurance coverage purchased by Caesarstone may be extended to include directors and Officers as additionally insured beneficiaries, in so far as such extension will not result in an additional premium.

G. Arrangements upon Change of Control

18. The following benefits may be granted to the Executive Officers in addition to the benefits applicable in the case of any retirement or termination of service or adverse adjustment of the service in a material way which were upon or in connection with a "Change of Control":

18.1. Vesting acceleration of outstanding options or other equity-based awards.

18.2. Extension of the exercising period of options for Caesarstone's VPs and CEO for a period of up to one (1) year and two (2) years, respectively, following the date of employment termination.

18.3. Up to an additional six (6) months of continued base salary, benefits and perquisites following the date of employment termination (the "**Additional Adjustment Period**"). For avoidance of doubt, such additional Adjustment Period shall be in addition to the advance notice and adjustment periods pursuant to Section 14 of this Compensation Policy, and in any case shall not exceed 24 monthly base salaries as set forth in Section 15.2.

18.4. In the case of the CEO, a cash bonus equal to up to twelve (12) monthly base salaries.

H. Board of Directors Compensation

19. **Cash Compensation** All Caesarstone's Board members, excluding the chairman of the Board, the external directors and independent directors, shall be entitled to a compensation as shall be determined from time to time and approved by the Compensation Committee, the Board and the Company's shareholders, based on the director's relevant skills and experience, up to, on an annual basis, (i) for a director who is an Israeli resident, the total compensation payable annually to the Company's external and independent directors, including annual fees and participation compensation; and (ii) for a director who is a non-Israeli resident, 400% of the annual fees and 400% the participation compensation payable to the Company's external and independent directors.

19.1. The compensation of the Company's external directors and independent directors shall be in accordance with the Companies Regulations (Rules Regarding the Compensation and Expenses of an External Director), 5760-2000, as amended by the Companies Regulations (Reliefs for Public Companies Traded in Stock Exchange Outside of Israel), 5760-2000, as such regulations may be amended from time to time ("**Compensation of Directors Regulations**").

19.2. The chairperson of the Board shall be entitled to an annual base compensation that shall not exceed five (5) times the total annual compensation of an external director (assuming a total of nine (9) Board and committee meetings per year). In addition, the chairperson of the Board may be granted an annual bonus based on measurable parameters to be defined by the Compensation Committee and the Board, and approved by the Company's shareholders, which shall amount to up to 50% of the chairperson's annual base compensation.

20. **Equity Based Compensation**

20.1. Directors may also be awarded equity-based compensation, as shall be determined from time to time and approved by the Compensation Committee, the Board and the Company's shareholders.

20.2. The fair value of the equity-based compensation per vesting year (on a linear basis) determined in accordance with acceptable valuation practices at the time of grant, of each director shall not exceed the value of such director's total annual compensation (assuming a total of nine (9) Board and committee meetings per year)...

20.3. The Compensation Committee and the Board may approve the grant of equity awards with a cap for the benefit deriving from the exercise of equity-based compensation.

20.4. All equity-based awards granted to directors shall be subject to vesting periods. Unless determined otherwise in a specific award agreement, grants to directors shall vest gradually over a period of between three (3) to four (4) years.

20.5. All other terms of the equity awards shall be in accordance with Caesarstone's incentive plans and other related practices and policies. Accordingly, the Board may, following approval by the Compensation Committee, extend the period of time for which an award is to remain exercisable and make provisions with respect to the acceleration of the vesting period of any director's awards, including, without limitation, in connection with a change of control, subject to any additional approval if such may be required by the Companies Law.

20.6. The fair value of the equity-based compensation for directors will be determined according to acceptable valuation practices at the time of grant.

21. **Expense Reimbursement**

21.1. Members of Caesarstone's Board shall be entitled to reimbursement of expenses incurred in the performance of their duties and other services to the Company.

I. Miscellaneous

22. Nothing in this Policy shall be deemed to grant any of Caesarstone's Executive Officers, directors or employees or any third party any right or privilege in connection with their engagement with the Company. Such rights and privileges shall be governed by the respective personal employment or engagement agreements. The Board may determine that none or only part of the payments and benefits shall be granted, and is authorized to cancel or suspend a compensation package or part thereof, subject to any applicable law.

23. An Immaterial Change in the terms of employment of a VP may be approved by the CEO, provided that the amended terms of employment are in accordance with this Compensation Policy, and subject to the following mechanism: following the CEO's approval of an Immaterial Change, any further change to the terms of employment of that certain VP (whether Immaterial Change or not) shall be subject to the approval of the Compensation Committee and the Board, and, after their approvals, the next Immaterial Change in the terms of employment of such VP may be once again approved by the CEO.

    An "Immaterial Change" means change (or changes, on an accumulated basis) in the terms of employment of a VP, other than equity awards, that amounts to up to 5% of the VP's annual gross base salary.

24. In the event that new regulations or law amendment in connection with Executive Officers' and directors' compensation will be enacted following the adoption of this Compensation Policy, Caesarstone may follow such new regulations or law amendments, even if such new regulations and law amendments are in contradiction to the compensation terms set forth herein.

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This Policy is designed solely for the benefit of Caesarstone and none of the provisions thereof are intended to provide any rights or remedies to any person or entity other than Caesarstone.

Exhibit 8.1

Subsidiaries of Caesarstone Ltd.

Name	Jurisdiction of Incorporation/Organization
Caesarstone Australia PTY Limited	Australia
Caesarstone South East Asia PTE LTD	Singapore
Caesarstone Canada Inc.	Canada
Caesarstone USA, Inc.	United States
Caesarstone Technologies USA, Inc.	United States
Caesarstone (UK) Ltd.	United Kingdom
Lioli Ceramica Pvt. Ltd	India
Omicron Granite and Tile	United States
Caesarstone Scandinavia AB	Sweden

EXHIBIT 12.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO EXCHANGE ACT RULE 13A-14(A)/15D-14(A) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Yos Shiran, certify that:

1. I have reviewed this annual report on Form 20-F of Caesarstone Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 6, 2024

/s/ Yos Shiran

Yos Shiran
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 12.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO EXCHANGE ACT RULE 13A-14(A)/15D-14(A) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Nahum Trost, certify that:

1. I have reviewed this annual report on Form 20-F of Caesarstone Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company’s internal control over financial reporting; and

5. The company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company’s auditors and the audit committee of the company’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company’s internal control over financial reporting.

Date: March 6, 2024

/s/ Nahum Trost

Nahum Trost
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

EXHIBIT 13.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Caesarstone Ltd. (the "Company") on Form 20-F for the fiscal year ended December 31, 2023 (the "Report"), I, Yos Shiran, and I, Nahum Trost, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge: (i) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Yos Shiran

Yos Shiran
Chief Executive Officer
(Principal Executive Officer)
Date: March 6, 2024

/s/ Nahum Trost

Nahum Trost
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
Date: March 6, 2024

Exhibit 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements (Form S-8 Nos. 333-180313, 333-210444, and 333-251642) pertaining to the 2011 Incentive Compensation Plan, and 2020 Share Incentive Plan of Caesarstone Ltd. of our reports dated March 6, 2024, with respect to the consolidated financial statements of Caesarstone Ltd., and the effectiveness of internal control over financial reporting of Caesarstone Ltd., included in this Annual Report (Form 20-F) for the year ended December 31, 2023.

/s/ KOST FORER GABBAY & KASIERER

Kost Forer Gabbay & Kasierer
A Member of EY Global

Tel-Aviv, Israel
March 6, 2024

Exhibit 15.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated March 15, 2023 with respect to the financial statements of Caesarstone Australia Pty Ltd. for the period ended December 31, 2022 included in the Annual Report of Caesarstone Ltd. on Form 20-F, for the year ended December 31, 2023.

We consent to the incorporation by reference of said report in the Registration Statements of Caesarstone Ltd. on Forms S-8 (File No. 333-180313, 333-210444 and 333-251642).

/s/ GRANT THORNTON AUDIT PTY LTD

Melbourne, Australia
March 06, 2024

Exhibit 15.3

CONSENT OF FREEDONIA CUSTOM RESEARCH, INC.

We hereby consent to the references to Freedonia Custom Research, a division of MarketResearch.com Inc. and to our global residential and commercial countertops reports, dated March 8, 2023 (the “Report”) prepared on behalf of Caesarstone Ltd. (the “Company”), including the use of information contained within our Report in the Company's Annual Report on Form 20-F (as may be amended) to be filed with the U.S. Securities and Exchange Commission for the year ended December 31, 2023 (the “Annual Report”) and to the incorporation by reference of such information from the Company's Annual Report in the registration statements on Form S-8 (File No. 333-180313, 333-210444 and 333-251642), We also hereby consent to the filing of this letter as an exhibit to the Annual Report.

Freedonia Custom Research, a division of MarketResearch.com Inc.

/s/ Lee Steinbock
March 6, 2024

Exhibit 97.1

CAESARSTONE LTD.
POLICY FOR RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

Caesarstone Ltd. (the "***Company***") has adopted this Policy for Recovery of Erroneously Awarded Compensation (the "***Policy***"), effective as of November 7, 2023 (the "***Effective Date***"). Capitalized terms used in this Policy but not otherwise defined herein are defined in Section 11.

1. Persons Subject to Policy

This Policy shall apply to and be binding and enforceable on current and former Officers (together, the "Officers" as defined below). In addition, the Committee and the Board may apply this Policy to persons who are not Officers, and such application shall apply in the manner determined by the Committee and the Board in their sole discretion.

2. Compensation Subject to Policy

This Policy shall apply to Incentive-Based Compensation received on or after October 2, 2023. For purposes of this Policy, the date on which Incentive-Based Compensation is "received" shall be determined under the Applicable Rules, which generally provide that Incentive-Based Compensation is "received" in the Company's fiscal period during which the relevant Financial Reporting Measure is attained or satisfied, without regard to whether the grant, vesting or payment of the Incentive-Based Compensation to the Officer occurs after the end of that period.

3. Recovery of Compensation

In the event that the Company is required to prepare a Restatement, the Company shall recover, reasonably promptly and in accordance with Section 4 below, the portion of any Incentive-Based Compensation that is Erroneously Awarded Compensation, unless the Committee and the Board have determined that recovery from the relevant current or former Officer would be Impracticable. Recovery shall be required in accordance with the preceding sentence regardless of whether the applicable Officer engaged in misconduct or otherwise caused or contributed to the requirement for the Restatement and regardless of whether or when restated financial statements are filed by the Company. For clarity, the recovery of Erroneously Awarded Compensation under this Policy will not be considered as an adverse change in employment, and will not give rise to any Officer's right to voluntarily terminate employment for "good reason" or due to a "constructive termination" (or any similar term of like effect) under any plan, program or policy of or agreement with the Company or any of its affiliates.

4. Manner of Recovery; Limitation on Duplicative Recovery

The Committee and the Board shall, in its sole discretion, determine the manner of recovery of any Erroneously Awarded Compensation, which may include, without limitation, reduction or cancellation by the Company or an affiliate of the Company of Incentive-Based Compensation or Erroneously Awarded Compensation, reimbursement or repayment by any person subject to this Policy, and, to the extent permitted by law, an offset of the Erroneously Awarded Compensation against other compensation payable by the Company or an affiliate of the Company to such person. Unless the Committee and the Board have determined that recovery from the relevant current or former Officer would be Impracticable, in no event may the Company accept an amount that is less than the amount of Erroneously Awarded Compensation in satisfaction of the obligations hereunder. Notwithstanding the foregoing, unless otherwise prohibited by the Applicable Rules, to the extent this Policy provides for recovery of Erroneously Awarded Compensation already recovered by the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 or Other Recovery Arrangements, the amount of Erroneously Awarded Compensation already recovered by the Company from the recipient of such Erroneously Awarded Compensation may be credited to the amount of Erroneously Awarded Compensation required to be recovered pursuant to this Policy from such person.

For Incentive-Based Compensation based on the Company's stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Restatement: (i) the amount to be repaid or returned shall be determined by the Committee based on a reasonable estimate of the effect of the Restatement on the Company's stock price or total shareholder return upon which the Incentive-Based Compensation was received; and (ii) the Company shall maintain documentation of the determination of such reasonable estimate and provide the relevant documentation as required to the applicable national securities exchange or association.

5. Administration

This Policy shall be administered, interpreted and construed by the Committee, which is authorized to make all determinations necessary, appropriate or advisable for such purpose. The independent directors of the Board may re-vest in itself the authority to administer, interpret and construe this Policy in accordance with applicable law, and in such event references herein to the "Committee" shall be deemed to be references to the independent directors of the Board. Subject to any permitted review by the applicable national securities exchange or association pursuant to the Applicable Rules, all determinations and decisions made by the Committee pursuant to the provisions of this Policy shall be final, conclusive and binding on all persons, including the Company and its affiliates, shareholders and employees. The Committee may delegate administrative duties with respect to this Policy to one or more directors or employees of the Company, as permitted under applicable law, including any Applicable Rules.

6. Interpretation

This Policy shall be interpreted and applied in a manner that is consistent with the requirements of the Applicable Rules, and to the extent this Policy is inconsistent with such Applicable Rules, it shall be deemed amended to the minimum extent necessary to ensure compliance therewith.

7. No Indemnification; No Liability

The Company shall not indemnify, insure or advance expenses to any person to cover the loss of any Erroneously Awarded Compensation pursuant to this Policy, nor shall the Company directly or indirectly pay or reimburse any person for any premiums for third-party insurance policies that such person may elect to purchase to fund such person's potential obligations under this Policy. None of the Company, an affiliate of the Company or any member of the Committee or the Board shall have any liability to any person as a result of actions taken under this Policy.

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8. Application; Enforceability

Except as otherwise determined by the Committee or the Board, the adoption of this Policy does not limit, and is intended to apply in addition to, any Other Recovery Arrangements. Without limiting the foregoing, in the event of a conflict between this Policy and the Compensation Policy, the latter shall prevail, except with respect to the recovery of any portion of Incentive-Based Compensation that is Erroneously Awarded Compensation that would not be recoverable under the Compensation Policy, in which case this Policy shall prevail. Subject to Section 4, the remedy specified in this Policy shall not be exclusive and shall be in addition to every other right or remedy at law or in equity that may be available to the Company or an affiliate of the Company or is otherwise required by applicable law and regulations.

9. Severability

The provisions in this Policy are intended to be applied to the fullest extent of the law; provided, however, to the extent that any provision of this Policy is found to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law.

10. Amendment and Termination

The Board or the Committee may amend, modify or terminate this Policy in whole or in part at any time and from time to time in its sole discretion. This Policy will terminate automatically when the Company does not have a class of securities listed on a national securities exchange or association in the U.S.

11. Disclosure

The Company shall file all disclosures with respect to this Policy required by Applicable Rules.

12. Definitions

"***Applicable Rules***" means Section 10D of the Exchange Act, Rule 10D-1 promulgated thereunder, the listing rules of the national securities exchange or association on which the Company's securities are listed, and any applicable rules, standards or other guidance adopted by the Securities and Exchange Commission or any national securities exchange or association on which the Company's securities are listed.

"***Board***" means the Board of Directors of the Company.

"***Compensation Policy***" means the Company's compensation policy for officers and directors, as adopted in accordance with the Israeli Companies Law 5759-1999 and as in effect from time to time.

"***Committee***" means the Compensation Committee of the Board or, in the absence of such a committee, a majority of the independent directors serving on the Board.

“***Erroneously Awarded Compensation***” means the amount of Incentive-Based Compensation received by a current or former Officer that exceeds the amount of Incentive-Based Compensation that would have been received by such current or former Officer based on a restated Financial Reporting Measure, as determined on a pre-tax basis in accordance with the Applicable Rules.

“***Exchange Act***” means the Securities Exchange Act of 1934, as amended.

“***Financial Reporting Measure***” means any measure determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measures derived wholly or in part from such measures, including GAAP, IFRS and non-GAAP/IFRS financial measures, as well as stock price and total shareholder return (and any measures that are derived wholly or in part from stock price or total shareholder return).

“***GAAP***” means United States generally accepted accounting principles.

“***IFRS***” means international financial reporting standards as adopted by the International Accounting Standards Board.

“***Impracticable***” means (a) the direct expense paid to third parties to assist in enforcing recovery would exceed the Erroneously Awarded Compensation; provided that the Company has (i) made reasonable attempt(s) to recover the Erroneously Awarded Compensation, (ii) documented such reasonable attempt(s) and (iii) provided such documentation to the relevant listing exchange or association, (b) the recovery would violate the Company’s home country laws adopted prior to November 28, 2022 pursuant to an opinion of home country counsel; provided that the Company has (i) obtained an opinion of home country counsel, acceptable to the relevant listing exchange or association, that recovery would result in such a violation and (ii) provided such opinion to the relevant listing exchange or association, or (c) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and the regulations thereunder.

“***Incentive-Based Compensation***” means, with respect to a Restatement, any compensation that is granted, earned, or vested based wholly or in part upon the attainment of one or more Financial Reporting Measures and received by a person: (a) on or after October 2, 2023; (b) after such person began service as an Officer; (c) who served as an Officer at any time during the performance period for that compensation (whether or not such Officer is serving at the time the Erroneously Awarded Compensation is required to be repaid to the Company); (d) while the Company has a class of securities listed on a national securities exchange or association; and (e) during the applicable Three-Year Period.

“***Officer***” means each individual who is currently or was previously designated as an “officer” of the Company as defined in Rule 16a-1(f) under the Exchange Act. For the avoidance of doubt, the identification of an executive officer for purposes of this Policy shall include each executive officer who is or was identified pursuant to Item 401(b) of Regulation S-K or Item 6.A of Form 20-F, as applicable, as well as the principal financial officer and principal accounting officer (or, if there is no principal accounting officer, the controller). ***“Other Recovery Arrangements”*** means any clawback, recoupment, forfeiture or similar policies or provisions of the Company or its affiliates, including any such policies or provisions of such effect contained in any employment agreement, bonus plan, incentive plan, equity-based plan or award agreement thereunder or similar plan, program or agreement of the Company or an affiliate or required under applicable law (including, without limitation, the Compensation Policy).

“***Restatement***” means an accounting restatement to correct the Company’s material noncompliance with any financial reporting requirement under securities laws, including restatements that correct an error in previously issued financial statements (a) that is material to the previously issued financial statements (a “big R” restatement) or (b) that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a “little r” restatement).

“***Three-Year Period***” means, with respect to a Restatement, the three completed fiscal years immediately preceding the date that the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare such Restatement, or, if earlier, the date on which a court, regulator or other legally authorized body directs the Company to prepare such Restatement. The “Three-Year Period” also includes any transition period (that results from a change in the Company’s fiscal year) within or immediately following the three completed fiscal years identified in the preceding sentence. However, a transition period between the last day of the Company’s previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to 12 months shall be deemed a completed fiscal year.

ACKNOWLEDGMENT AND CONSENT TO
POLICY FOR RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

The undersigned has received a copy of the Policy for Recovery of Erroneously Awarded Compensation (the "Policy") adopted by Caesarstone Ltd. (the "Company"), and has read and understands the Policy. Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Policy.

As a condition of receiving Incentive-Based Compensation from the Company, the undersigned agrees that any Incentive-Based Compensation received on or after October 2, 2023 is subject to recovery pursuant to the terms of the Policy. To the extent the Company's recovery right conflicts with any other contractual or other rights the undersigned may have with the Company, including without limitation any agreement or undertaking relating to indemnification, insurance or advance of expenses, the undersigned understands that the terms of the Policy shall supersede any such contractual or other rights. The terms of the Policy shall apply in addition to any right of recoupment against the undersigned under the Compensation Policy or applicable law and regulations.

____________________	____
Date	Signature
	____
	Name
	____
	Title