



Unitronics (1989) (R”G) Ltd

Periodic and Annual Report for 2024

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Chapter A – Description of the Company's Business (Regulation 8A of the Securities Regulations (Periodic and Immediate Reports) 1970)

The Company is hereby pleased to present the 2024 Periodic Report which includes a description of the Company and the business development thereof¹, for the twelve-month period ended December 31, 2024. The financial data contained in this report is denominated in NIS unless otherwise specified. The data is current as of December 31, 2024, unless otherwise specified.

Part I – Description of the general development of the Company's business

1.1 Company's activity and description of its business development

The Company was incorporated in August 1989 as a private company according to the Israeli Companies Ordinance (New Version), 1983 (hereinafter: "**the Companies Ordinance**"). In July 1999 the Company became a public company as such is defined in the Companies Ordinance. In September 1999 the Company first published a prospectus offering its shares to the public in Belgium, subsequent to which its shares were listed for trading on the Belgium stock exchange and were traded thereby until the delisting thereof in 2017. In May 2004 the Company published a prospectus in Israel according to which shares and other securities of the Company were listed for trading also on the Tel Aviv Stock Exchange (hereinafter: "**the Stock Exchange**").

Until March 12, 2019 (hereinafter: the "**Date of the Split**"), the Company operated in two main segments of activity, the product segment and the automated solutions segment. From the Date of the Split, as part of which the operations thereof in the field of automated solutions have been transferred to Utron Ltd. (hereinafter: "**Utron**"), a company controlled by the controlling shareholders of the Company and which operates only in the product field, as described in section 1.3.2 below (hereinafter: the "**Split**").

The Company is engaged in the design, development, production, marketing, sale and support of Programmable Logic Controllers (PLC's) (hereinafter: "**Controllers**"). Controllers are computer-based electronic products (hardware and software) used to command and control machines which perform automated operations, such as manufacturing systems and other automated installations in various fields. The Company has expanded its product line and has also started marketing and selling motion controllers (VFD and Servo systems), which are mainly marketed as supplementary products for the controllers of the Company and are designed to interface in an integrative and simple manner to these controllers. In addition, the Company launched a new integrative platform for cloud services (SaaS). The platform is designed to enable any customer to connect the controllers of the Company (and even controllers of other companies) to a computer-based cloud environment infrastructure, transfer data securely and create business dashboards

¹ This report includes data based on surveys and public studies, including information specified on various websites. It should be noted that, unless explicitly stated otherwise, the Company did not request, and in any case did not receive, the consent of the editors of the aforesaid surveys, studies and websites, to including the information in this report, since this information is information that is accessible to the public and to the best of the knowledge of the Company is public knowledge. The Company has not checked this information independently and it is not responsible for the content of the aforesaid surveys, studies and websites.

(BI). In this service, the emphasis is also on providing a value-added supplementary service for the controllers of the Company, which is reflected in the simplicity and ease of application as well as full integration with the other products of the Company.

The Company operates mainly from office and industry buildings in Airport City near the David Ben Gurion Airport (for further details see section 1.11 below).

1.2 Subsidiaries, related companies and holding structure diagram

As of the report date, the Company holds three wholly owned active subsidiaries as follows:

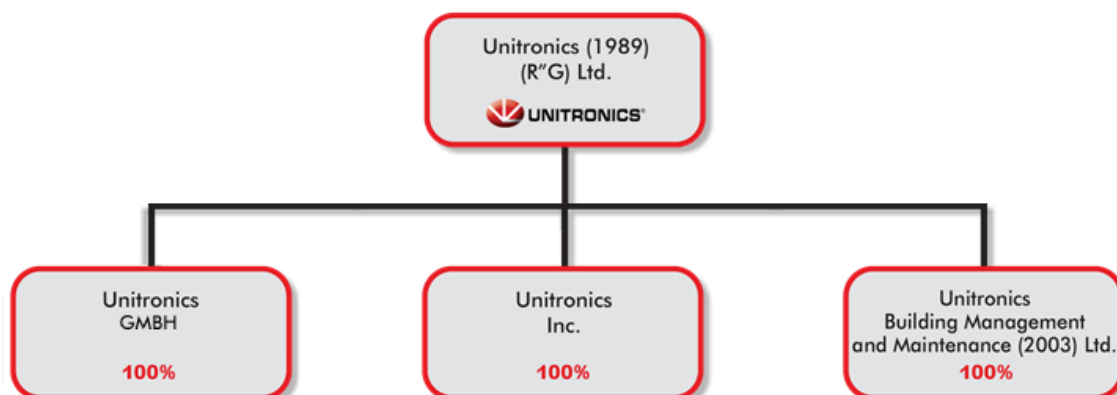
Unitronics Inc., wholly owned subsidiary of the company, which is incorporated in the United States (Delaware) (hereinafter: "**Unitronics Inc.**") and engages primarily in coordinating and managing the marketing and distribution operations in the United States and Canada.

Unitronics GMBH, a wholly owned subsidiary incorporated and operating in Germany, which is engaged in the sale, marketing and distribution of the products of the Company in Europe (hereinafter: "**Unitronics GMBH**").

Unitronics Building, Management & Maintenance (2003) Ltd. (hereinafter: "**Unitronics Management**"), wholly owned subsidiary of the company, which is primarily engaged in the management and maintenance of the Unitronics Building.

(Unitronics Inc., Unitronics GMBH and Unitronics Management shall be referred to hereinafter collectively as: the "**Subsidiaries**").

Below is a diagram of the holding structure of the Company and its subsidiaries:



1.3 Operating segments

1.3.1 Operating segments

The Company is involved in the design, development, manufacture, marketing, sale and support primarily of PLCs of various models that incorporate an operating panel (a keyboard and a display) as an integral part of the PLC, and connectivity (including Internet, intranet, and cellular phone communications), as well as external expansion units for the PLCs and software for the PLCs. In recent years, the Company has expanded its product portfolio and has also started to market and sell motion controllers (VFD and Servo systems), and a new integrative cloud services platform (SaaS). The products of the Company are primarily intended for the management of automatic systems including industrial automation, logistics systems, automated parking facilities, for management of production floors and additional auxiliary items.

The products and services of the Company are marketed and sold via an internal marketing and sales network of the Company through subsidiaries in the United States and Europe, through a distributor network of approximately 185 distributors, 105 of which are in the US and in North America, and the balance in approximately seventy countries (including Israel) mainly throughout Europe, Asia and South America.

1.3.2 The Split

On February 28, 2019, The Company and Utron published the Split Prospectus pursuant to which the split will take place (reference number.: 2019-01-017856) (hereinafter: the “**Split Prospectus**”) as part of which each shareholder of the Company received Utron shares at a quantity equal to the quantity of the Company shares which each shareholder held on March 10, 2019 (assuming that the shareholder did not acquire the share on that date), which is the closing date (except for the Company itself, which holds its own dormant shares which did not grant the Company any right to Utron's shares). For further details, on the splitting procedure and the agreements signed with the Company on this matter, see Chapter 2 and Chapter 8 in the Split and Listing for Trading Prospectus dated February 28, 2019 published by the Company and Utron (reference number: 2019-01-017856). For details on the completion of the split see Immediate Report on an event or matter outside the ordinary course of the corporation's business dated March 12, 2019, reference number: 2019-0102137. Within this framework, the Company's activity of Automated Solutions was transferred to Utron. Additionally, The Company and Utron entered into agreements to regulate the split and the services and other relations between the companies following the split. For details of the agreement of the Company and Utron in service agreements as part of the spin-off process, see section 4.7.1.5 of Chapter D of this Periodic Report.

1.4 Investments in the Company's capital and transactions with its shares

From January 1, 2023, until the publication date of this report, no investments were made in the capital of the Company. To the best of the Company's knowledge, no material transactions were performed in the past two years in the shares of the Company by interested parties outside the TASE, except as specified below:

Interested parties	Transaction date	Transaction type	Number of shares	Transaction rate (Agorot)
FIMI Fund	February 2, 2024	Off-exchange transaction	2,489,649	2.875 agorot
Haim Shani	February 2, 2024	Off-exchange transaction	1,091,661	2.875 agorot
Y.D. More Investments Ltd.	February 4, 2024	Off-exchange transaction	2,957,500	2.876.73 agorot*

(*) The rate at which the transaction was performed includes the addition of a brokerage fee (the original distribution rate was 2.875 agorot).

For further details of the transactions, subject of this section, see the Immediate Reports of the Company of February 5, 2024 (reference numbers: 2024-01-013524 and 2024-01-013530), the details of which are included herein by way of reference.

For further details of Y.D. More Investments Ltd. is becoming an interested party in the Company, including its holding in the Company following the performance of the transactions specified in this section, see the Immediate Report of the Company dated February 5, 2024 (reference number: 2024-01-013533), the details of which are included herein by way of reference.

1.5 **Dividend distribution**

1.5.1 **The dates and amounts of dividends which the Company has distributed in the past two years**

Date of the decision of the Board of Directors	Actual dividend payment date	Total dividend NIS per share	Total dividend paid (in thousands)
30.5.2023	20.6.2023	0.7241613	NIS 10,000
22.8.2023	21.9.2023	2.0560376	NIS 28,500
26.12.2023	23.1.2024	0.7189357	NIS 10,000
8.5.2024	16.6.2024	1.1494338	NIS 16,000
14.8.2024	19.9.2024	0.5737319	NIS 8,000

- 1.5.2 The balance of distributable earnings under the law as of December 31, 2024, and the date of publication of this report is approximately NIS 30 million.
- 1.5.3 On February 23, 2014, a resolution was passed by the Board of Directors of the Company with regard to the adoption of a dividend distribution policy as of the date of approval and publication of the financial statements as of December 31, 2013 whereby the Company will distribute to its shareholders a dividend of 33% of the net profit attributable to the Company's shareholders in accordance with the audited consolidated annual financial statements of the Company (not including gains deriving from the revaluation of assets) (hereinafter: the "**Profit**") exceeding NIS 3 million, subject, inter alia, to the provisions of the law, financing requirements, business plans and obligations to the holders of the Debentures (Series 4 and 5)². The distribution of the dividend is subject to the decision of the Board of Directors of the Company. On December 26, 2023, the Board of Directors of the Company decided to amend the dividend distribution policy of the Company that was in effect on that date. In accordance with the amended dividend policy, the Company will distribute to its shareholders a dividend of at least 50% of the net profit attributable to the shareholders of the Company in accordance with the consolidated quarterly and/or annual financial statements of the Company (not including gains resulting from revaluation of assets), subject, among other things, to the provisions of the law (the profit test and the solvency test) for the needs of the Company and its obligations, the compliance of the Company with financial covenants, its business plans, the financial situation of the Company, its projected cash flow, etc., all in accordance with the discretion of the Board of Directors on the date of the division examination, without being obligated to so do. For further details, see the Immediate Report of the Company of December 27, 2023 (reference number: 2023-01-141771). The aforesaid constitutes a generalization by way of reference.

For further details of the dividend distributions specified in section 1.5.1 above (including the reasons for the distribution thereof), see the Immediate Reports of the Company of May 31, 2023, August 30, 2023, January 4, 2024, May 21, 2024 and August 25, 2024 (reference numbers: 2023-01-058653, 2023-01-100704, 2024-01-00241, 2024-01-052461 and 2024-01-087837 respectively). The aforesaid constitutes a generalization by way of reference.

² Which are no longer valid as of the report date

Part II – Other Information

1.6 Financial information on the Company's business activities

	For the year ended December 31		
	2024	2023	2022
	NIS thousands		
<u>Revenues</u>	192,236	211,671	155,520
<u>Costs:</u>			
Fixed	74,693	74,787	62,733
Variable	72,978	85,750	66,394
Total	147,671	160,537	129,127
Profit from ordinary activities	44,565	51,134	26,393

For an explanation regarding the developments in each of the aforementioned data, see section 2.2 in Chapter B of this Periodic Report.

1.7 General environment and impact of external factors on Company's activity

Industrial automation is being implemented in a variety of industries, including process industries (the food, drink, pharmaceuticals, chemical, paper and fuel industries), production systems (production machinery, automated tools), energy production systems (power stations of all kinds), logistics systems (storage, conveying and distribution systems) building control systems (air conditioning, heating, energy control, access control, warning and security systems), transportation systems (vehicles, aviation and shipping, traffic control), autonomous parking facilities, etc. The Company believes that the need for automation is attributable, among other reasons, to the increasing complexity of industrial processes; the increase in the volumes and types of activities and the information required to manage them; the aspiration to improve the efficiency of processes (optimization) and to increase the availability of resources while implementing safety rules; and the desire to economize on manpower and manual intervention. Automation products are intended to address these needs, including rapid response to the changing needs of the market, simplicity of design and of operation, connectivity to organizational management systems (ERP), high reliability and time between malfunctions (MTBF), high availability, as well as savings and efficiency.

For an analysis of the general environment, as well as general information on areas of activity presented in this report below, the Company relies, *inter alia*, on several sources. These sources include, among others, market studies and articles by Technavio (<http://www.technavio.com>) and Mordor Intelligence: (<https://www.mordorintelligence.com>), (MMR (<http://www.maximizemarketresearch.com>)) (summaries accessible to the public on the website). Hereinafter, wherever this report relies on the above market studies, this fact will be explicitly stated.

The Company's management estimates that the segment is affected by the growing need for application of automation stemming from the factors explained above – on the one hand, and by the state of the global and local economies and their general impact on the various industries – on the other hand.

Additional trends in the global automation market as reflected in the abovementioned market studies are the economic growth and accelerated industrial development of certain geographic regions of the world.

Notwithstanding the aforesaid, the Company is unable either to estimate or quantify the impact of such developments on the results of its operations. For a discussion of other external factors, including specific market risks and their manner of management, see section 1.19 below. For a discussion of information concerning the general environment and external factors, see section 1.9 below.

The global shortage of electronic components and its effect on the business operations of the Company

A global shortage of electronic components began in 2020 and lasted until the beginning of 2024. With the end of the shortage at the beginning of the reporting year, the availability and supply of components in the global market returned to the same level as prior to the shortage (the global shortage of electronic components affected the operations of the Company and its ability to fulfill customer orders from 2021 to 2023).

As a result thereof and the deployment of the Company, the Company returned to providing customers with products in accordance with the customary short delivery times in the field, as was the case prior to the aforesaid global shortage.

The consequences of the "Iron Swords" War on the Company

On October 7, 2023, the State of Israel faced a surprise attack by terrorist organizations from the Gaza Strip, following which the Israeli government declared the "Iron Swords" War. Proximate to the surprise attack, fighting started on the northern border of the country. This was also followed by a security threat from the Houthis in Yemen which developed in the Red Sea region and the trade routes adjacent thereto plus Israel was also attacked by Iran and its proxies with missiles and UAVs.

The war has had a significant impact on the Israeli economy, manifested, among other things, by the evacuation of the population from conflict zones, the extensive mobilization of reserve forces, the temporary closure of businesses, the volatility of the NIS against foreign currencies, and the downgrading of Israel's credit rating by leading credit rating agencies.

As of the date of publication of the reports, there is a ceasefire agreement between Israel and Lebanon. Furthermore, in January 2025, an agreement was signed between the terrorist organization Hamas and the State of Israel, which is expected to be implemented in stages. With the signing of these agreements, there was also a lull on other fronts of the war.

During the entire period of the fighting, all the systems of the Company are operating normally and there is no material direct effect of the war on the operations of the Company. Among other things, in light of its global operations, as of the date of publication of the report the Company does not anticipate that the events of the war to have a material impact on its business activities. However, there is no certainty that this will indeed be the case if and as the war is restarted and its consequences will be exacerbated.

Effect of the inflation and interest rates on the economy

For details of the effect of inflation and interest rates on the economy on the operating results of the Company, see section 1.4 of the Board of Directors' Report on the Company (Chapter B of this Periodic Report).

Part III – Description of the Company's business by operating segments

1.8 Overview

The Company has one field of activity as specified in section 1.3.1 above.

1.9 The activity segments of the Company

1.9.1 Structure of the operating segment and changes therein

The Company's main products are PLCs which integrate, within a single unit, the control components (hardware and software constituting the active part, of the PLC, or its "brain") and the interface components (HMI – Human-Machine Interface) intended to allow the operator to control the PLC itself, and through it the instruments controlled and monitored by the PLC, with no prior knowledge of programming required. As aforesaid, the Company has expanded its product line in the past few years and has also started to market Motion controllers, marketed mainly as supplementary products for the controllers of the Company, which interface in an integrative and simple manner these controllers. In addition, the Company launched a new integrative cloud services platform called UniCloud. The platform is designed to enable any customer to connect the controllers of the Company (as well as controllers of third-party companies) to a computer-based cloud environment infrastructure, transfer data securely and create business dashboards (BI). This service is also marketed mainly as a supplementary product for the controllers of the Company, the emphasis is on the added value expressed in the simplicity and ease of application as well as full integration with the other products of the Company.

1.9.2 Legislative restrictions, regulations and constraints applicable to the operating segment

The manufacturing and/or marketing of products in the field of control and automation is subject to various standards in different parts of the world, some of them general in nature intended for the field of electronics and some more specific to the field of control and automation. In this context the relevant standards are mainly EN 61131-2: 2007 that deals with PLC requirements (concerning electromagnetic compatibility and safety aspects), and American and Canadian safety standards (such as the UL/cUL 508 or UL/cUL 61010 standard and ISA-12.12.01 – Hazardous Locations).

In addition, in recent years the Company has witnessed a growing trend on the part of authorities in both Israel and abroad to legislate regulations designed to protect the environment.

For details regarding compliance of the Company's products with these standards and the Company's assessments in this regard, see section 1.9.20 below.

1.9.3 Changes in the scope of operations and profitability of the segment, developments in the segment markets and changes in the characteristics of the customers thereof

In accordance with an MMR review, the global programmable logic controller market was estimated at USD 13.1 billion in 2023 and is expected to reach in excess of USD 18 billion in 2030, representing an average annual growth rate of approximately 5%. Mordor Intelligence estimates that the global controller market size is similar and predicts that in 2025 it will reach approximately USD 12.7 billion and is expected to reach approximately

USD 15.8 billion in 2030, representing an average annual growth rate of approximately 4.37%. Furthermore, also according to Technavio, the global controller market is expected to grow between 2024 and 2028 by more than USD 3 billion, reflecting a similar average growth rate of approximately 4.56%. The VFD and Servo segment is estimated by the same source to be approximately USD 33 billion in 2020 and is expected to grow to approximately USD 41 billion in 2025 with an average annual growth rate of 4.4%. In accordance with a review by MMR, the MOTION field is expected to grow to approximately USD 29.5 billion in 2029, representing a CAGR of approximately 6%.

Most sources similarly identify several trends:

- (a) Classification of PLCs by size and properties: The number and type of external devices that can be connected to and controlled by a PLC define its dimensions as:
- Nano PLCs also known as Smart Relays;
 - Micro PLCs also known as Compact PLCs;
 - Small PLCs and medium PLCs together also known as Modular PLCs;
 - Large PLCs also known as High-End Modular PLCs (rackmount).

As aforesaid in section 1.9.9 below, the Company focuses in the Products field on nano, micro, small and medium PLCs (and does not focus on large PLCs), which, based on the sources cited above, constitute the larger part of the total Controller market, and have the highest relative growth rates.

- (b) Areas of application: Concurrently with the increasing need for automation as explained above, the global and local economy affect the market, as reflected, inter alia, in the different market development rates projected for the coming years in different industrial fields and for different types of customers.

- (c) Geographic breakdown: In accordance with various aforesaid market reviews, North America and APAC are the leading territories both in terms of market share and in terms of the expected growth rate in the coming years.

Various market surveys indicate forecasts for continued growth in the Controller market, together with intense competition, which is also expected to grow and expand into different areas. According to Technavio, one of the trends in the Controller segment is the transition to the use of decentralized systems based on smaller controllers on which the Company is focusing its activities. Mordor Intelligence also points out this trend and notes together therewith a trend of an increasing need for controller integration with IIOT solutions/capabilities which enable better monitoring and control while maintaining secure connectivity.

1.9.4 Technological changes which could have a material impact on the operating segment

The PLC market is characterized by frequent technological developments, the introduction of new products and technologies, and changes in market needs and requirements. The developments and innovations in the fields of electronics, communications and computers also influence the control and automation industries, including a trend towards

miniaturization of PLCs (smaller units that compete in terms of functionality and price with large units from previous generations), expanded use of communications (between PLCs, and between PLCs and the command computers to organizational systems and cloud applications, and between PLCs and smartphones and tablets), and development of convenient, user-friendly interfaces including the use of color screens in various sizes and the use of touch screens as a means of man-machine communication in equipment and machinery. The Company designs its products in accordance with these trends, including miniaturization (down to palm-sized products), incorporation of convenient and user-friendly interfaces, including the use of different-sized color and touch screens as the means of user-man instrument and machine communications.

Industry 4.0 and IIoT (Industrial Internet of Things) are causing a change in the traditional way in which industrial processes are controlled and supervised as well as the requirement for information to flow from the machine to enterprise information systems and cloud applications. These changes reinforce the need to use controllers but also require adjustments and support for new capabilities, especially in terms of communication capabilities.

The Company designs its products in accordance with these trends, including miniaturization (up to hand-sized products), integration of friendly and convenient user interfaces in the controller body, built-in communication capabilities, simple and secure connectivity to cloud applications and more, as specified in sections 1.9.9 and 1.9.11 below.

1.9.5 Critical success factors in the operating segment and changes therein

The Company estimates that the primary success factors in the PLC sector include, among others, the availability of a range of products addressing market demand and trends; a robust, flexible programming environment designed to enable quick and easy realization of customer automation and control requirements; functional reliability of the products; competitive prices reflecting appropriate cost-benefit ratios; high standard of service and support promoting image and customer loyalty; and an extensive distribution infrastructure capable of providing a global response.

1.9.6 Main entry and exit barriers in the operating segment and changes therein

The Company estimates that the primary entry barriers to the PLC field include, among others, the duration of the development processes of the technologies underlying the PLCs and the significant time spans and complex penetration processes related to the integration and/or replacement of a PLC in a specific machine or application. The Company estimates there are no material exit barriers from the segment.

1.9.7 Substitutes for the products of the operating segment and changes therein

The field of industrial PLCs includes PLCs manufactured by different companies, as detailed in section 1.9.15 below. By its nature, a programmable industrial controller requires modification and programming actions that are usually performed by the client or an integrator on his behalf, in order to adapt it to the task it is designated for. It is therefore not possible to point out products that constitute an immediate, direct substitute for the Company's products, and in any event the client has to make adjustments, program, and usually also make electric and mechanical adjustments in order to use other PLCs.

1.9.8 The structure of the competition in the field of activity and the changes thereto

To the best knowledge of the Company, the controller market is highly concentrated, with a major part of the global market being held by a small number of major players, and in addition, there are many companies with annual sales of over USD 10 million. Among the global corporations leading the market (with multidisciplinary activities, including in the field of controllers) are:

ABB Ltd, Mitsubishi Electric Corporation, Schneider Electric SE,

Rockwell Automation Inc., and Siemens AG, which control a large share of the market.

However, there are many smaller companies operating in limited geographic areas or with unique niche products. This group includes, among others, companies such as: Honeywell Safety Management Systems, Horner Electric APG, and PILZ. The Company estimates that its activity falls into this category. The Company is not aware of any other Israeli companies in this category.

For further details of the competition in the field of activity, see section 1.9.15 below.

1.9.9 Products and services

The Company's main products are PLCs of various series and external expansion units, motion regulators and servo systems, cloud-based service as well as software programs as specified below:

1.9.9.1 PLCs and expansion units

The Company designs, develops, manufactures, markets, sells and supports several series of PLCs. These PLCs are based on a central processing unit (CPU) for computer-embedded industrial systems that coordinate the range of command, control, and communications operations executed by the PLC. The Company's PLCs also incorporate an integral human-machine interface (HMI) component designed to enable the operator to control the PLC itself, and through it the instruments controlled and monitored by the PLC. This interface may differ from one product series to another in its nature and complexity, and it includes a data display, a touch screen and/or a touch pad. The PLC communicates with external components (such as the production devices themselves, engines or sensors) by means of built-in physical connections ("sockets" of sorts, similar to phone or computer sockets) intended for data input and output. The input/output capabilities of PLCs (number and type of connectable devices) define their dimensions, as specified in the table below.

The PLCs' I/O capabilities may be expanded using external expansion units, thereby upgrading its functioning (as detailed below). The Company's PLCs have been designed for compatibility with the different protocols of line and wireless communications, including by means of the Internet (remote control and access, from inside and outside the organization, by means of a computer, with no physical connection), intranet (PLC-PLC communications and/or PLC to organization control systems within the

organization), and by means of a cellular phone (access to information and/or to means of control without a physical connection and without a computer, using cellular phone infrastructures). The communications capability of the PLCs is intended to enable tracking, control and monitoring of systems and processes, not only from the site in which the PLC is installed (production floor, logistics warehouse, etc.), but also from other stations, including the management offices or even from outside the organization's premises, thereby providing access to data and/or means of control for different levels in the organization, from production machine operators within the organization, to the organization's planning and control levels (including raw materials inventory planning, finished products etc.) to the senior management or even people outside the organization. Below are major characteristics which distinguish between the above PLC categories:

Traditional classification	Nano PLCs	Micro PLCs	Small PLCs	Medium PLCs
Alternative classification	Smart Relays	Compact PLCs		Modular PLCs
Major relative advantages	Highly compact; low cost; suitable for control and automation of only the most basic tasks	Efficient price/performance ratio; suitable for control of simple tasks and operation of relatively simple equipment	Larger I/O capacity and stronger supporting software, in a relatively compact package; suitable for command and control of complex automation tasks	Capacity to process large input volumes and control multiple inter-connected automation components
Major industrial applications	Simple industrial automation tasks, scheduled building controls, environmental systems (irrigation, air conditioning, etc.), safety systems	Typically used to control simple and complex automation tasks in most industrial applications, including in the automotive, food processing, chemical, pharmaceutical, metals, mining, paper, plastic, conveyance systems, packaging and other industries.		

The Company's products focus on a range of up to tens of integral I/O points per individual PLC, with the ability to expand by tens to hundreds of additional points (up to 4,000 in the UniStream™ product range), using external expansion units and communications networks.

The main series of PLCs and expansion units manufactured by the Company include alpha numeric nano and micro PLCs (M91 and Jazz® series) and different-sized graphic PLCs (Samba™, Vision™ and UniStream™ series) usually with color touch-screens, nano and micro alpha-numeric controllers (Jazz®, M91 series), external expansion units and other accessories (such as cables, adapters, etc.).

The Company's PLCs are considered to be advanced technology products among the target audience – control engineers and machine builders. A validation of this is having

been awarded the Engineers' Choice Award by Control Engineering magazine (www.controleng.com) each year for 13 years (starting from 2012 up to and including 2024) for another product which was launched in that year. This is an annual contest run by one of the most prestigious magazines in the United States in the field of Controllers, as part of which the readers themselves select products divided into several categories from a list of products launched in the same year. In 2024, for example, the Unistream™ series controller won the “Most Valuable Product of the Year” competition, in other words, it received the most votes and readers’ choices out of all the categories competing in that year.

1.9.9.2 MOTION

The Company markets and sells products in the drive control segment (marketed mainly as supplementary products for the controllers of the Company), which interfaces with industrial communication and is controlled by the controllers of the Company, and focuses on this segment primarily with frequency drives (VFD) and servo systems.

A frequency drive is a component which receives alternating current from an electrical network at a specific frequency and redistributes it at the desired frequency to control the speed and torque produced by electric motors in various applications and processes in industry. These products are commonly used in pumps, fans, compressors, etc.

Servo systems are "closed circuit" control systems (the need to receive constant feedback to correct runtime errors and fast response rates), a characteristic which distinguishes them from the frequency drive. These systems contain a servo drive and a servo motor. Common applications for this product are various packaging, conveyance and raw material processing machinery, laboratory automation equipment as well as food and beverage machines.

1.9.9.3 UniCloud

In 2021 the Company launched a new integrative platform for cloud services named UniCloud. The platform is designed to allow each customer to connect the controllers of the Company (and even controllers of other companies) to a cloud computing infrastructure environment, transfer data in a secure manner and create business dashboards (BI). The emphasis in this new service is also on the added value reflected in the simplicity and ease of the application and full integration with the other products of the Company.

The customers of the Company are charged a monthly fee for the service, as in similar SaaS services. The Company believes that this service affords the Company and its customers’ business flexibility, significantly reduces the entry barriers for joining the service and creates another significant competitive advantage for the Company in the market in which it operates.

The aforesaid MOTION and UniCloud drive products were designed so that the integration thereof with the controllers of the Company will make it possible to create added and unique value for the customers of the Company. Therefore, these are supplementary products for the controller products, which are usually sold as one piece. However, each of these products can also be sold separately to the customers of the Company.

In addition, certain products in the controller group are sold together with built-in cloud services in negligible volumes.

1.9.9.4 Software

The Company develops and markets, as a package together with its PLCs, software operating programs for PLCs, used to program the operating interfaces of the PLC itself and its operation, as well as the command-and-control operations of the PLC with respect to the instruments to which it is connected. Recently, as part of the expansion of the Company's product portfolio, the Company developed an integrative environment designed to enable these tools to also be used to program and configure the Motion solutions marketed by the Company in a simple and easy manner, which can simplify the integration process thereby preventing the need to be familiar with and to use the other software tools used by the customers up till now. The Company's main software programs of this type the UniLogic® software which serves PLCs from the UniStream® series only, as well as the U90™ and VisiLogic® software of the Company which serve the other PLC series of the Company. These software programs operate in the Microsoft Windows environment and are designed to also permit those without professional programming skills to program, in an intuitive and accessible manner, both the operating interface of the PLC itself, at the operator's convenience, and both the PLC tasks with respect to the system components in the machine or equipment that the PLC is supposed to control as well as both the motion characteristics of the Motion elements.

In addition, the Company provides programming tools for addressing additional needs, such as reading stored information from the PLC to electronic datasheets, connecting the PLC to communications networks, and remote control. The software package also includes a soft copy of operating instructions, the PLC software programs, documentation of the technical specifications of the product, and associated documentation data.

1.9.9.5 Trends and changes

The Company's PLC's are focused on the nano PLC segment, micro PLCs and small and medium PLCs. This sector is characterized in the market surveys described above as the market segment with the highest growth rate. At the same time, this market segment is highly competitive (see also section 1.9.8 above).

The Company offers MOTION controllers with an emphasis on added value which is reflected in the simplicity of programming using the UniLogic® software of the Company and the complete integration of all the automation components offered by the Company.

In 2021, the Company launched a new integrative cloud service platform called UniCloud. The platform is designed to enable any customer to connect the controllers of the Company (even the controllers of other companies) to a computer-based cloud environment infrastructure, transfer data securely and create business dashboards (BI).

The Company invests in the development of new products designed to meet the changing needs of customers in the automation market. These products replace and are intended to continue replacing the Company's older products and are also intended to open new opportunities and markets for the Company.

1.9.9.6 Services

Services of the company in the Products segment comprise primarily technical support for Company products and are delivered by a technical support team offering pre-sale support services locally and abroad for purchasing Company products (mainly consulting for customization of products to each customer's specific needs), post-sale training and technical support for assimilating the use of the products and/or troubleshooting. Calls to the support team usually originate from the Company's distributors (see section 1.9.13 below), from direct end users and from indirect end users (who purchased the Company's products from distributors in Israel or abroad). These calls are processed by support staff, with the involvement of the Company's lab, development and marketing staff as necessary.

The cloud service of the Company is a new model (SaaS) for selling services to the customers of the Company, see expansion in section 1.9.9.3.

1.9.10 Revenue breakdown and profitability of products and services

The various series of the Company's major products contribute to the Company's profitability in a manner which shows no material difference between each series.

Below is the segmentation of revenues from a group of similar products, the rate of which constitutes 10% or more of the company's total revenues for the years 2022-2024:

	Revenues (NIS thousands)			Percentage of total revenues		
	2024	2023	2022	2024	2023	2022
PLC's and expansion units*	183,969	199,635	144,673	96%	93%	93%

* The Company considers controllers and expansion units to be one product group, in which the gross profit rate of the products of the group are basically similar.

1.9.11 New products

In the reported period, the Company has been engaged, and intends to continue engaging, inter alia, in activities for the development of additional series of controllers and/or new control products and/or expanding the capabilities and functionalities of the UniCloud product lines and services of the Company designated to enable the Company to provide to its customers products and capabilities which are not within the existing product range of the Company, and using technologies that allow more advanced performance³. These products, which are in various stages of development (some of them in the initial stages and others in more advanced stages, about to be launched on the market) are planned to

³ The information with regard to the performance that are not within the Company's existing product range is forward-looking information. The main data serving as a basis in this subject are the Company's development plans, which are based, *inter alia*, on the analysis of market surveys as set forth in sections 1.7 and 1.9.4 above, the analysis of market requirements and customer preferences, as expressed in the Company's firsthand contacts with the markets, technological feasibility, the Company's assessments regarding the costs of the research and development that would be required to finance the execution of the developments, and also the tough competition existing in the industry, as specified in this Report. The main factors which could cause this information not to materialize are the rates of investment that would be required in these operations, which could significantly overrun the Company's budgets in these subjects, limitations in the ability to commercialize these technologies at competitive market prices, or at all, the absence of the development of markets and a consumer culture suited to using the technologies developed, and the superior financial and technological means available to a considerable part of the Company's rivals, and all of the foregoing in addition to the general risks as set forth in section 1.19 below.

include additional products that will allow for the expansion of the product line and were intended to present the Company with new opportunities.

During the year 2024, among other things, the Company launched a new UniStream series model providing the controllers of the Company with new capabilities. For example, the Company's controllers are the first controllers in the world with built-in support for the RedFish protocol designed for systems installed in server farms. In addition, the Company launched two product series in the MOTION field (one in the VFD field and the other in the SERVO field) as well as expanded and enriched the UniCloud services it offers. These advanced capabilities are designated to permit a wider use of the products of the Company in new markets as well as to further simplify the integration between the controllers of the Company and the other products and services offered thereby.

These development efforts require the allocation of significant resources, primarily in the area of human capital, as well as the study and assimilation of new platforms and technologies. For information on the Company's development expenditures, see section 1.9.17 below.

1.9.12 Customers

- 1.9.12.1 The direct customers of the Company are mainly distributors bound to the Company by distribution agreements (see section 1.9.11 below). In addition, the Company sells its products directly to end users. The end user customers are generally manufacturers of PLC-controlled industrial machines or automation solutions implements in a range of various industries, including the plastics, textile, server farms, energy management and alternative energy, agriculture, vehicle spare parts, food and petrochemical industries and others. These machines or automation solutions are controlled by PLCs and are intended for the automation of defined tasks such as packaging, for specific operations on production lines, etc. The machine manufacturer or the automation solutions implement purchases PLCs suitable for the machine he is producing or the project he is implementing, installs the Company's PLCs in them, and markets it to his customers, who will integrate it in the production line or in other automatic applications that will be controlled and managed by the Company's PLCs. In general, the Company has no direct contact with end customers, who are in direct contact with the various distributors for customization, installation, warranty, and the like.
- 1.9.12.2 During the reporting period, the Company did not have a customer, the income to the Company of which accounted for 10% or more of the income of the Company in accordance with the 2024 consolidated financial statements - Chapter C of this Periodic Report.
- 1.9.12.3 To the best knowledge of the Company, the customers of the Company, mainly distributors, differ in their geographical location, and the Company is not aware of any other fixed characteristics which characterize the customers of the Company. For a breakdown of the revenues of the Company by geographic regions, see Note 24 to Section A of the consolidated financial statements - Chapter C of the Periodic Report.

1.9.13 Marketing and distribution

The Company's products and services are marketed and sold through the Company's internal marketing and sales network, through Unitronics GMBH, as well as through Unitronics Inc. as well as a chain of distributors comprising of approximately 185 distributors (of which approximately 105 are in the United States and North America and the balance in approximately seventy countries (including Israel) primarily throughout Europe, Asia and South America. In addition, in the United States and Italy only, the Company uses independent sales representatives to assist in representing the Company's products and services with the distributors and end customers in these countries.

- 1.9.13.1 The internal sales and marketing staff of the Company: The marketing team maintains direct contact with the current and future users of the Company's products and services, follows-up, re-nourishes and fosters customer relations, as well as locates business opportunities for the internal sales and marketing team of the Company and also coordinates and guides the activity of the Company's network of distributors, on an ongoing basis as well as at central events such as conferences, courses and training sessions held by the Company at its own facilities or through online training. The Company likewise maintains a technical support team providing support services prior to and for the purpose of purchasing the Company's products (mainly advice for the customization of products to the specific needs of each inquirer) and post-purchase training and technical support for assimilation of products and/or troubleshooting. Inquiries to the support team usually come from the Company's distributors, from direct end users and from indirect end users (who purchased the Company's products from distributors in Israel or abroad). These applications are processed by support staff and, if required, also with the involvement of the Company's development and sales staff.
- 1.9.13.2 Distributors: The Company's agreements with its distributors generally confer distribution rights (and in some cases exclusive rights) in defined territories (subject to the Company's right to sell by itself and/or through subsidiaries), for limited periods (usually one year), renewable subject to meeting specific minimum sales or at the Company's discretion in the event the distributor fails to meet said minimum sales. The distributors purchase Company products based on an annual purchase forecast provided by them in advance, usually according to a fixed price list, and sell them at their own discretionary prices. The Company generally grants its distributors 30 to 90 credit days, some of which (except in the United States) require collateral such as a bank guarantee or letters of credit. These agreements may generally be terminated at any time by a 30-to-90-day notice of either party and are generally (except in the United States) governed by Israeli Law and subject to the jurisdiction of the courts in Tel Aviv and/or to an arbitration mechanism for the settlement of disputes.

The Company does not pay commission to its distributors, and the latter generate their profits from the difference between the purchase price and the selling price to the end customer. The Company suggests a recommended selling price to the distributors, but does not require them to charge these prices. The distributor is generally required to provide end users with a warranty period of 24 months.

The Company's distributors may not return products. Under the products' warranty, non-functioning products during the warranty period are either repaired or replaced. It should be noted that in actuality, the quantity of the replaced products is not material (for details

on revenue recognition, see Note 2 section N to the 2024 consolidated financial statements– Chapter C of this Periodic Report).

The Company does not have a material distribution agreement and/or dependence on any distributor.

- 1.9.13.3 Independent Sales Representatives (hereinafter: the "**Reps**"): The Company has agreements with the Reps in Italy and the United States only. These agreements generally grant the Reps exclusive rights in defined territories only in the United States for limited periods (usually a year) automatically renewable. Generally, these agreements may be terminated at any time by any party, by giving notice 30 to 90 days, and subject to US law and the jurisdiction of the courts in Massachusetts and/or arbitration dispute settlement mechanism. The agreements with the Reps in Italy are subject to Italian law.

The Company pays commissions to the representatives depending on actual sales made to distributors and end customers in the territory in which the reps have an exclusive agreement.

The Company has no dependence on any of the representatives.

- 1.9.13.4 Sales promotion: The Company promotes its sales primarily through: (a) a website (<http://www.unitronics.com>) for downloading software and other help tools for the Company's products, and for obtaining details about the Company, its products and services; (b) social networks (c) public relations and contact with the market and with current and prospective customers, including updates on innovations and developments at the Company, follow-up of customer satisfaction and/or lessons to be learned and for implementation, and similar activities; (d) marketing and sales aids and activities, including detailed marketing catalogues, regular distribution of product updates and marketing material, use of demonstration kits at the customer's site and training sessions for customers and distributors; (e) participation in national and international trade exhibitions, whether directly or via the Company's distributors, and (f) issuing publications in professional magazines (printed and digital) in the automation and controller industrial sectors worldwide.

1.9.14 Order backlog

In general, the order backlog of the Products Department is in line with the nature of activity in this market, based mainly on stock and off-shelf purchases from distributors and therefore orders are usually accepted for immediate delivery rather than an order backlog. However, in 2022 and 2023, due to the global shortage of components and the prolongation of delivery times in the controllers' market by all market players, many customers also started placing orders with a more distant outlook of several months in advance. In 2024, the Company reverted to supplying with short delivery times, as was the case prior to the global shortage of components, and in accordance therewith, customers returned to ordering, mainly, for immediate delivery..

Expected revenue recognition period	Product order backlog as of February 2, 2025 (closest possible date to the date of this report)	Product order backlog as of December 31, 2024	Product order backlog as of December 31, 2023
	NIS in thousands		
Q1 2024	-	-	42,290
Q2 2024	-	-	16,895
Q3 2024	-	-	2,968
Q4 2024	-	-	1,508
For 2025	-	-	538
Q1 2025	14,458	13,040	
Q2 2025	8,153	5,891	
Q3 2025	3,725	2,924	
Q4 2025	1,456	1,210	
Total	27,792	23,065	64,199

Differences in the reported order backlog for various periods derive mainly from the shortening of and a return to normal delivery times.

The backlog mix is composed mainly (over 95%) of controllers; however, the mix in terms of the main products included is not indicative, and changes constantly, since it reflects specific demand for particular products based on the pace of use of various customers and the requirements of different markets that usually dictate this pace⁴.

1.9.15 Competition

The Company has no knowledge of statistics on which it can base the consumption and/or sales of controllers in Israel and therefore it cannot estimate the size of the local market, its share in the local market and/or its share in relation to the manufacturers/importers of other controllers in Israel. With regard to its share in the global market, the Company estimates, based on internationally accepted international market research, that its share of the global programmed controller market is less than one percent.

The Company competes and intends to continue competing primarily on the basis of the advanced technology integrated into its products, and the cost effectiveness of its products as compared to that of its competitors, including the functionality of its products and their performance, reliability, portability, capacity for integration in existing systems, convenience and ease of installation, operation and maintenance, and the quality of the technical support and customer service provided by the Company. The Company estimates that its products are positioned mainly as niche products (small products including nano and micro-PLCs) that combine integral user interface capabilities and broad communications capabilities – characteristics that are particularly suitable for various decentralized applications and for integration as a control component for manufacturers

⁴ The information regarding the expected recognition of order backlog revenue is forward-looking information. The data relating to the forecast are an estimate only, relying on past experience and the planned schedules for the different orders. Changes in the basic assumptions leading to this estimate could significantly change the Company's estimate regarding future recognition of order backlog revenue compared to the data shown above.

of small and medium machines. However, there is no certainty that the markets or the existing or prospective customers will regard the Company's products as worthier than those of the competitors. Similarly, there is no certainty that its competitors will not develop products and technology that will render the Company's products obsolete or less competitive.

As mentioned in this section above, the majority of the Company's competitors are larger and more established companies, with financial and other means which significantly surpass those of the Company, including R&D, marketing and sales resources, as well as a recognized name in the market. These competitors are able to respond before the Company to changing market needs, and also to offer customers more flexible and convenient financing terms than those offered by the Company, thereby limiting the Company's ability to compete effectively. There is no certainty that the Company will successfully compete in this market, and its competitors may succeed in capturing some of its market share.

1.9.16 Production capacity

The Company manufactures its products primarily through subcontractors. Subcontractors are responsible for placing the electronic components on printed circuits, injection of cases and plastic parts and sub-assemblies such as keyboards. The Company itself assembles, using its staff and its facilities in Airport City, a certain portion of the components of the electrical circuits, and for some of the products, it performs the final assembly of the product, its electrical testing, calibration and packaging. The use of subcontractors to carry out the production is designated to permit growth and flexibility in light of the high production capacity of the current subcontractors and the ability to add subcontractors as needed (subject to a learning and assimilation curve). As for production operations within the Company, as of the date of this report most of the production capacity is being utilized, but the Company is able to increase its production capacity for these activities as needed, given the possibility of assigning these tasks to unskilled manpower, which is, therefore, relatively available and requires only a short training period.

1.9.17 Research and development

For additional details, see section 1.9.10 above.

Below are the main details concerning sums expended by the Company during the specified periods:

	For the year ended December 31		
	2024	2023	2022
	NIS thousands		
Payroll and benefits	11,298	9,622	8,594
Subcontractors	2,464	2,096	2,704
Other expenses	1,782	1,541	1,564
Less capitalized expenses recognized as an intangible asset	(10,767)	(8,788)	(9,426)
Total	4,777	4,471	3,436

Overall, the Company expended approximately NIS 15,544 thousand during the reported period (of which NIS 10,767 thousand was recognized as intangible assets) for the development of products and technologies, as specified in section 1.9.11 above.

For details of the investments of the Company in respect of its intellectual property, see Note 9 to the 2024 consolidated financial statements - Chapter C of this Periodic Report.

From 1992 to 2003, the Chief Scientist at the Ministry of Industry, Trade and Labor (hereinafter: the "**Chief Scientist**") participated in the funding of the Company's R&D programs under the Encouragement of Industrial Research and Development Law, 1984 (hereinafter: the "**R&D Law**"). Subject to the support received for the financing of the Company's R&D plans (for further details see section 1.9.20 in Chapter A of the periodic report for 2012), the Company must comply with the provisions of the R&D Law, and the regulations and rules by virtue thereof, which include paying royalties to the Chief Scientist at a rate of 2% to 5% of sales of products developed with the Chief Scientist's assistance, up to repayment of the total grants (and with respect to grants received starting from January 1999 – plus interest at LIBOR rate); receiving approvals regarding changes in holdings and controlling means in the Company; refraining from overseas manufacturing of products based on technology developed with the assistance of the Chief Scientist, and from the transfer of such technology overseas. Total grants approved for the Company based on the R&D programs amounted to USD 583 thousand in respect of which the Company paid to the Chief Scientist up to December 31, 2024, a total of approximately USD 174 thousand. Liabilities recognized in the financial statements in respect of grants received from the Chief Scientist, as of December 31, 2024, totaled approximately NIS 90 thousand, attributable to programs in respect of which, in management's estimation, royalties are likely to be paid. As of the date of this report, the Company is in compliance with its obligations to the Chief Scientist.

In accordance with the plans of the Company, the expected amount to be invested in research and development in 2025 is estimated at approximately NIS 15 million⁵.

1.9.18 Raw materials, suppliers

- 1.9.18.1 Each of the company's products consists of tens to hundreds of mechanical and electronic components, including electronic circuits and their components, keyboards, display screens, and others. About 95% of the components in most of the products are standard (off-the-shelf) products, manufactured in Israel and abroad. Some 5% of the components in most of the Company's products are custom-made for it in accordance with a specification and/or plan, mainly plastic casings, keyboards, printed circuit boards (PCBs), various connectors, metal parts, touch screens and specific LCD displays. Although these components are of major importance in Company products, they may be ordered from several suppliers/manufacturers in Israel and overseas, usually without any need for product adaptations, and consequently, there is no dependence on a single

⁵ The information with regard to the forecasted investment amounts in research and development is forward-looking information. The data concerning the forecast is only an estimate, which is based on the forecasts of the Company. Changes in the basic assumptions which led to the aforesaid forecast, may significantly change the Company forecast in respect of the expected investment amounts in research and development compared to the data presented above.

supplier/manufacturer. Most of the standard components can be purchased from different suppliers who can be replaced without changes in the product, and the Company is not dependent on a single source. However, in some cases even though they may be purchased from several manufacturers, their replacement by a new manufacturer is liable to cause delays of several weeks resulting from the alternative supplier's learning and assimilation curve with respect to the Company's needs. For particular products, where the replacement of a supplier may lead to a longer delay, backup stocks with a 3-4 month supply are maintained, whether they are purchased directly by the Company or for the Company by the subcontractor as part of the turnkey production arrangement, the purchase quantities for these stocks being financially immaterial.

The Company is dependent on several manufacturers which specialize in the production and supply of a small number of unique items, including processors and communication components which can be purchased from suppliers in or outside Israel, primarily, Infineon, Texas Instruments, Epson, NXP, Nexperia, ST Microelectronics. Even though these are standard components (off-shelf) for which substitutes from other manufacturers can be found, their replacement may involve structural and functional changes as well as various software and hardware adjustments which could cause delays and customization costs. To reduce the dependency on these components, the Company enters into annual order arrangements and in a few cases, into minimum stock retention agreements, with several different suppliers, in order to ensure availability and regular supply of these components.

- 1.9.18.2 The Company regularly surveys the components' state of supply on the market as well as lead times, in order to identify trends of shortage in due time.

The global shortage of electronic components in 2024, which prevailed mainly between the years 2021-2023, ended, as specified in section 1.7 above, and in accordance therewith, the supply and delivery of components returned to normal, the delivery times of components returned to the pace in the period prior to the years of shortage, and the trend of rising prices which characterized the period of global component shortages ceased.

- 1.9.18.3 The Company generally has no written agreements with suppliers of raw materials, it is not bound by framework arrangements with them save for annual orders and certain minimum stock retention agreements as detailed below and it orders materials as needed, on an ad hoc basis, generally against purchase orders only. The commercial terms generally applicable to the raw materials suppliers are open credit without guarantees, payment at terms of net 90 EOM (after approval by acceptance control), predefined lead time (sometimes including an option for the Company to change quantities and/or schedules), prices subject to volume discount, delivery and transport at the supplier's expense and the supplier's warranty for replacement of goods, at its expense, in the event of nonconformity or quality problems.

The Company enters into a minimum inventory retention agreement with certain suppliers, pursuant to which the supplier undertakes to keep an inventory at a certain percentage of the Company's annual consumption (adjusted on a quarterly or a monthly basis), exclusively earmarked for supply to the Company at set prices. Under these agreements, the Company is even obligated to purchase the minimum stock, for amounts that are financially immaterial to the Company, even if not ordered by the end

of the agreement period. Several of these agreements are unlimited in time, and the termination of activity thereunder in respect of particular items is subject to prior notice.

1.9.18.4 The Company is party to a non-exclusive agreement dated September 12, 2018 with a manufacturing contractor for printed circuits which is also a provider of components and other services to the Company (hereinafter: the "**Circuit Supplier**"), which as of May 2018, FIMI, the controlling shareholder in the Company, is also a controller of this supplier. The Company had been connected with the circuit supplier for a period of over ten years prior to the acquisition of control of this supplier by FIMI. To the best knowledge of the Company, in 2019 the circuit supplier closed the acquisition of a company which was also a supplier of the Company in the assembly of printed circuits (hereinafter: the "**Subsidiary of the Circuit Supplier**") for years prior to the acquisition thereof by the circuit supplier. The terms of the agreement with the supplier of the circuits and the Subsidiary of the supplier of the circuits includes the placement and assembly services of printed circuits and electronic components, provided by the Company, into completed cards and in some cases testing and packaging of the cards, in accordance with the detailed instructions of the Company, and under the supervision of the Company, and in accordance with detailed purchase orders based on periodic forecasts relayed to the manufacturing contractor which are updated regularly. These suppliers provide a warranty on their work, insure their obligations under the Agreement, while the related intellectual property rights connected with the product are retained by the Company. Payment for the products is based on fixed amounts depending on the volume of the ordered work and paid on a +65 day basis. Under the agreement with these suppliers the Company sells certain raw materials to these suppliers for the purpose of manufacturing for the Company. The term of the agreement is 12 months, and the agreement is automatically renewed unless any of the parties gives advance notice of termination to the other party.

On May 15, 2023, a special general meeting of the shareholders of the Company, after having received the approval of the Balance Sheet Committee, the Remuneration Committee, the Audit Committee and the Board of Directors of the Company on March 26, 2023 and March 27, 2023, respectively, approved the continuation of the agreement⁶ with the circuit supplier and with the Subsidiary of the Circuit Supplier for a period of three years starting from the date of the approval of the general meeting with annual financial volumes of up to 12% of the total cost of sale or NIS 10 million, whichever is the higher of the two. The scope of the purchases of the Company from the supplier of the circuits and the Subsidiary of the Circuit Supplier in 2024, 2023 and in 2022 amounted to approximately NIS 5,963, NIS 7,016 thousand and approximately NIS 7,298 thousand, respectively, constituting approximately 6.3%, approximately 6.6% and approximately 8.7% of the cost of the annual expenses of the Company. The Company is not dependent on the supplier of the circuits and the subsidiary of the supplier of the circuits and can also work with other suppliers as well as switch from supplier to supplier without difficulty or significant cost differences, even though the Company estimates that this would not necessarily be in the best interests of the Company. For further details, see the Immediate Reports of the Company of April 4, 2023, and May 15, 2023

⁶ It should be noted that until that date the agreement, subject to this section, were approved by the authorized bodies of the Company as non-extraordinary and negligible transactions in which the controlling shareholder has a personal interest.

(reference numbers: 2023-01-038949 and 2023-01-051990, respectively). The above references are included by way of reference.

1.9.18.5 The Company is not dependent on certain subcontractors for manufacturing, and it can hire for this purpose additional contractors. Nevertheless, replacing an existing subcontractor may involve delays resulting from the learning curve and the implementation of the Company's needs and/or use of unique manufacturing components tailored for the Company's needs (such as plastic cast molds for PLCs cases). In the Company's estimation, replacing a subcontractor, as mentioned above, is not expected to lead to a material increase in costs for the Company.

1.9.19 Working capital

1.9.19.1 Total working capital

The Company's working capital as of December 31, 2024, amounted to approximately NIS 36,358 thousand (current assets of approximately NIS 81,330 thousand net of current liabilities of approximately NIS 44,747 thousand).

1.9.19.2 Inventory

It is the policy of the Company to hold an ongoing inventory of 30-150 days of components and raw materials in accordance with forecast requirements. In addition, the Company holds a finished products inventory for supplying current orders for some 30-60 days. The Company's policy is generally to hold a finished products inventory based on actual orders or internal forecasts regularly made and updated by the Company. However, and as necessary, the Company may deviate from this policy, mainly when preparing for extraordinary events or in response to the behavior of raw materials markets in the world.

In 2023, in light of the extension of the global shortage of electronic components, the Company chose to produce products in accordance with actual orders only, in order to optimally utilize the inventory of components and raw materials at its disposal. In 2023, the value of the inventory held by the Company increased in order to support the increase in sales of the Company and with the intent to ensure the availability of components due to uncertainties in the market as well as in light of the continued increase in the price of components and raw materials. With the end of the global component crisis in early 2024, and a return to regular component supplies, the Company returned to production of inventory in accordance with the aforesaid forecasts.

The Company continuously examines the trends in the electronic components market in order to adjust the inventory levels to the uncertainties in the market. The Company manages the production processes, purchasing of raw materials, raw materials inventory and finished products inventory through a general management software program that concurrently serves the Company's procurement, production, and inventory systems, and this alongside financial management and accounting (ERP – Enterprise Resource Planning). From time to time the Company examines new means of inventory management in order to make the Company products more accessible to the distributors and customers.

1.9.20 Environmental risks and management thereof

1.9.20.1 General

The Company's activity is not characterized by exposure to environmental risks as the term is defined in section 28 in the First Schedule to the Securities Regulations (Details of the Prospectus and Draft prospectus – Structure and Form), 1969.

However, as stated in section 1.9.2 above, the manufacture and marketing of electronic products is subject in different countries to directives that address the use of certain materials in the manufacture of electronic products and the treatment of electric and electronic equipment waste. In addition, the Israeli law also contains provisions that affect the use of certain materials in the manufacture of electronic products and the handling of waste of electrical and electronic equipment, including the Treatment of Packaging Waste Law and the Law for Environmental Protection for the Environmental Treatment of Electronic Equipment.

1.9.20.2 Legal provisions on environmental quality

The Law for the Regulation of Packaging Waste Treatment - 2011 (hereinafter: the "**Packaging Law**") is designed to reduce the amount of packaging waste, prevent its landfilling and encourage its recycling. The Law sets recycling targets according to the type of material and the year of recycling, all regarding manufacturers with product packaging weights that exceed a certain threshold per year. In accordance with the requirements of this law, the Company has contracted with a "recognized implementation body" approved by the Ministry of Environmental Protection which is responsible for the compliance of manufacturers and importers with the provisions of the said law.

The Law for Environmental Treatment of Electrical and Electronic Equipment and Batteries, 2012 (hereinafter: the "**Electronic Waste Law**"), sets recycling targets according to the year of recycling for importers and manufacturers of electronic equipment. In accordance with this law, the Company recently entered into a contract with a "recognized implementation body" of the Environmental Protection Ministry, which is responsible for the fulfillment of the obligations of manufacturers and importers, as per the provisions of said law. Moreover, the Company is studying the implications of the new law by inquiring with consultants and keeping up with up-to-date professional material.

The Company estimates that the impact of the Packaging Law and the Electronic Waste Law on its expenses is not expected to be material.

1.9.20.3 Impact of environmental risks on the Company

In the Company's best estimates, the environmental risks do not have a material impact on its operations. During the reporting period, to the best of the Company's knowledge, no material events occurred which caused or are expected to cause harm to the environment, and no proceedings related to environmental quality were taken against the Company or any of its officers.

This assessment by the Company constitutes forward-looking information, as such terms are defined in the Securities Law, based on the estimation of the Company. This assessment may not materialize, in whole or in part, or may materialize in a different manner than anticipated, and may be affected by factors which cannot be estimated in advance, and which are beyond the Group's control. The main factors which may affect the aforesaid realization or non-realization of this assessment are the decisions of the legally authorized authorities, including court decisions and/or material changes in the relevant legal provisions and/or due to the realization of all or part of the risk factors specified in this section.

1.9.21 Business objectives and strategy

The Company aspires to position itself as a world leader in the field of control and automation products, in niches and markets in which its products have added value and a relative advantage. These niches include, among others, the fields of nano and micro PLCs, PLCs incorporating a control panel (including use of color displays, which is becoming prevalent in control panels for many systems), small PLCs incorporating communications and network support capabilities, and PLCs supporting decentralized architecture. In a breakdown of the target market (for further details see sections 1.7 and 1.9.3 above), the most prominent are manufacturers of small and medium machines that require economic, advanced and integrated control solutions, as well as constructors of systems that require solutions for remote control and/or data collection by communications. Criteria for evaluating success in achieving these objectives include, among others, number of installations (PLCs sold) every year, the rate of penetration (sales) in new and existing countries and regions, customer satisfaction, percentage of repeat sales to these customers, and overall contribution to the Company's profitability.

In order to realize these objectives, the Company plans to continue improving existing products as well as developing new products, on the basis of continuous analysis of users' needs and market trends, market surveys conducted from time to time, as well as responses from its distributors and customers. There is no assurance regarding the Company's ability to actually improve current products and to develop new products, and this depends, among others, on analysis of market needs and consumer preferences as reflected through the Company's direct contacts with the markets, technological feasibility, cost of potential developments, as well as the strong competition in the segment, as detailed in this report.

The Company further plans to continue to develop and to strengthen its direct sales capability in the United States and in Europe as well as the international distribution infrastructure it has established, *inter alia* through continued supervision and follow-up of the activity of existing distributors, location of new distributors in new territories or where it is necessary to replace an existing distributor, professional training and instruction for distributors on subjects related to the Company's products, and gathering of relevant information. There is no assurance regarding the Company's ability to strengthen and develop its sales and marketing infrastructure and this depends, *inter alia*, on the analysis of marketing attributes and markets for Company products which are conducted by the Company from time to time.

1.9.22 Development forecast for the coming year

The Company has shown growth and an increase in market share in recent years, mainly in target and focus markets. In order to continue the growth trend, the Company will be required to continue investing material amounts in R&D and marketing, so as to be able to offer existing and prospective customers competitive and efficient products, designed to provide a suitable response to their demands compared to those offered by its competitors. However, there is no assurance that investment of the aforesaid amounts in development and marketing will increase or maintain the Company's current pace of sales.

1.10 Other activities

The Company has an additional activity, not included in the aforementioned main operating segments, which involves insignificant revenues and investments. This activity by its subsidiary, Unitronics Management, mainly involves maintenance, preservation and management in connection with the use of Unitronics Building. Below are data on the Company's revenues from the activity of Unitronics Management for the indicated periods:

	For the year ended December 31		
	2024	2023	2022
	NIS in thousands		
Revenues from Unitronics Management operations	360	393	452

Part IV – Matters Related to the Company's Overall Operations

1.11 Fixed assets, land, facilities, user right assets and insurance

Below are details of the main fixed assets, facilities and real estate used by the Company.

- 1.11.1 Unitronics Building – lease from the Israel Land Administration: The Company has capitalized leasing rights (91%) for forty nine years (plus an extension option for an additional forty nine years) under lease agreements dated April 16, 2008, in the ground floor (including basement) and the first floor with a floor area of 1,295 sq.m (hereinafter: the "**Company's Floors**"), and 841 sq.m attached yard area (hereinafter: "the **Company's rights**"), of a building known as "**Unitronics Building**," the address of which is Airport City, P.O. Box 300, Ben Gurion Airport, 70100, Israel (hereinafter: the "**Company's rights in Unitronics Building**"). The Company's rights in the Unitronics Building also known as block 27 parcel 6832, registered in the Condominium Buildings Register in the Land Registration Bureau. The Company also acquired rights to an additional lot of 1,000 sq.m adjacent to Unitronics Building, serving as a parking lot for the Company's employees and visitors (hereinafter: the "**Parking Lot**").

For its current operations, the Company uses the entire space on the Company floors at Unitronics Building. The other floors at Unitronics Building (floors 2-4) (hereinafter: the "**Private Floors**") are leased from the management of Sky City Office Center for Knowledge-Intensive Industries Ltd. (hereinafter: "**Sky City**" and/or the "**Lessor**"), a company controlled by Mr. Haim Shani, a controlling shareholder of the Company (jointly with FIMI Fund), who also serves as the active Chairman of the Board of Directors of the Company, and his wife Ms. Bareket Shani, a Director of the Company, and are leased to third parties, except for approximately 1,279 sq.m that were leased to the Company as detailed in section 1.11.2 below. The rights in the private floors were acquired about one month prior to the acquisition of the Company's rights in the Company floors, under a separate agreement, unrelated to the Company or to the agreement whereby the Company acquired its rights in the Company floors, at a price per square meter using the same pricing basis as used by the Company to acquire its rights.

- 1.11.2 Unitronics Building– lease from the controlling shareholder: In addition to the Company floors, which are used in their entirety by the Company, the Company leases from the lessor space on the private floors, based on its variable needs from time to time, at the same terms under which space is leased on the private floors to third parties, which also reflect lease terms prevailing at Airport City in general.

On May 15, 2023, the general meeting of the shareholders of the Company , after having received the approval of the Balance Sheet Committee, the Remuneration Committee, the Audit Committee and the Board of Directors of the Company on March 26, 2023 and March 27, 2023, respectively, approved a lease agreement between the Company and the Lessor for a period of three years from the date of the approval of the meeting, and this is in connection with the rental of 1,022 square meters in Unitronics House as well as 30 parking spaces (which the company rented from Sky City prior to the aforesaid approval of the general meeting, after having received the approvals required by law). In accordance with the approved agreement, the Company will be entitled to reduce the rented area or re-increase the area up to a total of 1,600 square meters (provided that the total of 1,022 square meters, the area rented in the current agreement, is not reduced), and to increase the number of parking spaces available for rent up to 60 spaces and to re-reduce the

number (provided that the number is not less than 30 parking spaces, the number thereof in the previous agreement) without the amendment of the price per square meter/parking space or any other term of the rental, whereby the reduction or re-increase will only be performed at the discretion of the management in accordance with the requirements of the Company. The monthly rental fees are NIS 75 per square meter and a total of approximately NIS 96 thousand per month, linked to the consumer price index of June 2009. The total cost of the rental paid to Sky City for rental fees, parking spaces, management fees and linkage differences in accordance with the aforesaid index as of December 31, 2024, is NIS 147 thousand per month. For additional details of the leasehold and the rental agreement, see section 4.7.7.2 of Chapter D of this Periodic Report above, as well as the Immediate Report of the Company dated April 4, 2023 on the convening of an annual and special general meeting of the shareholders of the Company, reference number 2023-01-038949, which is incorporated herein by way of reference.

- 1.11.3 As part of the Split, the Company has entered into a sublet agreement with Utron Solutions, whereby the Company rents at the cost price of the lessor approximately 220 sq.m in the above leasehold to Utron Solutions, plus overhead expenses amounting to approximately NIS 13 thousand per month, with back-to-back terms of the agreement of Utron Solutions with the lessor. In addition, each party has the right to terminate the sublet rental agreement between them with ninety days prior written notice.
- 1.11.4 Unitronics Inc.: The subsidiary Unitronics Inc. leases from a third party unrelated to the Company and/or to interested parties therein office space in Quincy, near Boston, Massachusetts, with a total area of 2,363 square feet (219 sq.m), leased until May 31, 2025 with an annual rental fee between USD 57 thousand in the first lease year, up to USD 61 thousand in the third lease year.

1.11.5 Fixed assets

The Company has fixed assets that are used in its current operations, including: machinery and equipment for production, office equipment and furniture, leasehold improvements and vehicles, the balance of which is not material to the Company. For details of the fixed assets of the Company, see Note 8 to the 2024 financial statements of the Company.

1.11.6 Insurance

The Company is insured under various insurance policies for its activities, including, inter alia, property insurance, consequential damages insurance, third party insurance, officers' liability insurance, as well as combined professional and product liability insurance, including for the subsidiaries and various other insurance policies. The entry of the Company into the aforesaid policies is usually in consultation with the insurance advisors of the company. The Company believes that it has adequate insurance coverage.

1.12 Geographical regions

For revenue data of the Company by geographic areas, see Note 24 in section A to the 2024 consolidated financial statements – Chapter C of this Periodic Report.

Below is the sum of the non-current assets as of December 31, 2024, and as of December 31, 2023, according to their value in the company's consolidated financial statements, divided into geographic areas, according to the location of the assets (amounts in thousands NIS):

Geographic area	31 December 2024	31 December 2023
Israel	58,680	59,054
USA	3,205	866
Total	61,884	59,920

1.13 Intangible assets

1.13.1 General:

The intangible assets of the Company mainly include investments in product development as well as patents and software licenses.

The Company claims copyright and the right to use technologies, know-how and trade secrets (for patents and trademarks, see below).

The Company protects its trade secrets and intellectual property mainly by means of nondisclosure agreements with employees, consultants and some customers, as well as through the registration of patents and trademarks and through patent, design and trademark applications. There is no certainty that these means can provide adequate protection, and they may not protect the Company against competing developments carried out independently by third parties.

The Company believes that in a world of rapid technological change, its ability to develop and bring new advanced products to market in a relatively short time contributes to its success and market penetration, and consequently the importance of protecting its intangible assets and intellectual property decreases to a certain extent.

1.13.2 Investment in development costs

The Company regularly invests in upgrading its products and developing new products, in order to maintain its comparative advantage in marketing technologically advanced products, and capitalizes development costs (mainly labor and subcontractor wages) subject to compliance with accounting rules.

The depreciation period of development assets is 5-7 years.

Below is a breakdown of the investment development costs as of December 31, 2024:

Subject	NIS
Cost	162,113
Accumulated amortization	120,286
Development assets, net	41,827

The development assets consist of costs attributed to the development projects of the products of the Company. As of December 31, 2024, the development assets, net, mainly

refer to development projects of the Unistream series controllers, motion solutions (Motion) and Unicloud services.

1.13.3 Patents and patent applications

The Company has a registered patent relating to the IO unit's connection.

The Company also owns several design patents registered in the US, Israel and with the European Patent Office, on controllers developed and manufactured by the Company.

1.13.4 Trademark registration

The name Unitronics and the Company logo are registered trademarks in Israel, Europe, China and the US.

Over the years, the Company has filed and continues to file applications with the Patent and Trademark Office in North America and in Europe and with the Patent Registrar in Israel to register trademarks on various names, logos and designs used for the Company's different product ranges. From time to time, the Company files additional applications with the USPTO and with the Patent Registrar in Israel for the registration of various trademarks; there is no certainty that these applications will be granted.

1.13.5 Internet domain names

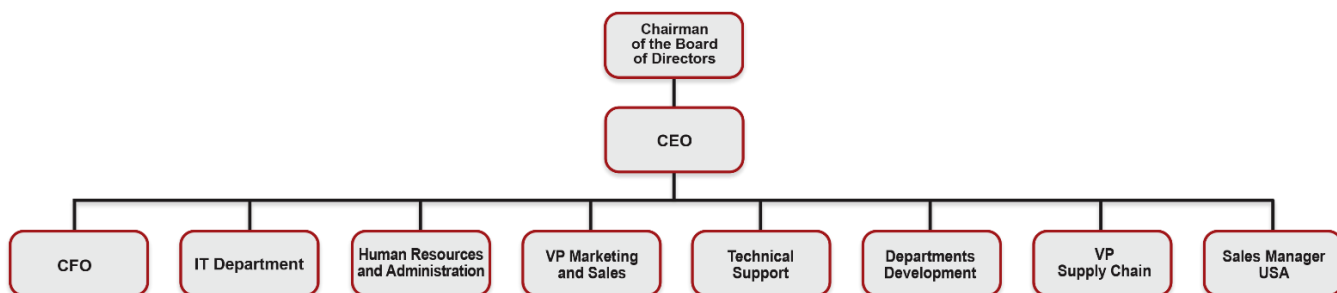
The Company has acquired the right to use domain names (including domain names with various country TLDs) in which it presents information about the Company, its products and related matters. The Company uses these names as addresses for websites used for communicating with existing and potential customers. As customary, the Company is entitled to continue making exclusive use of these websites, subject to payment of annual usage fees (in insignificant amounts).

1.13.6 For further details on the Company's investments in its intellectual property, see Note 9 to the 2024 consolidated financial statements– Chapter C of this Periodic Report.

1.14 Human resources

1.14.1 Organizational structure

Below is the organizational structure chart of the Company and the investee companies and the number of employees employed thereby as of the date of the report.



1.14.2 Company staff and composition:

As of December 31, 2024, the Company employed approximately 152 employees, of which approximately 3 employees are employed by the Company and also provide services to Utron. In addition, approximately 3 employees employed by Utron provide services to the Company. For details see section 4.7.1.5 in Chapter D of this Periodic Report.

The breakdown of employees of the Company and its subsidiaries in Israel by occupation on the relevant dates, as of the report date, is as follows:

Occupation	Staff headcount as of	
	December 31, 2024	December 31, 2023
Marketing, Sales and Technical Support	46	49
Development	31	27
Finance, Human Resources and Administration	13	16
Manufacturing, Logistics and Quality Assurance	58	66
Information systems and Integration	4	5
Total	152	163

* The number of employees and the breakdown thereof proximate to the report date is not materially different from the number and breakdown thereof as of December 31, 2024.

1.14.3 Terms of employment: Most Company employees are employed under written personal employment contracts which include customary undertakings with regard to nondisclosure, noncompetition and safeguarding of Company intellectual property.

Labor relations at the Company are not subject to any specific collective bargaining agreements, including the general collective agreement for metal, electricity and electronics employees and the extension order applying to that agreement.

Employee options plan

On May 30, 2019, the Company's Board of Directors adopted a plan to award options to employees, consultants and officers of the Company and its subsidiaries (hereinafter: the "**Option Plan**"). The plan is intended to reward the aforesaid employees, consultants and officers of the Company by awarding options (non-negotiable) with no consideration for the purchase of the shares of the Company (hereinafter: the "**Options**"). It is hereby clarified that the actual awarding of the options pursuant to the Option Plan is subject to the provisions of any law and permits required for the actual granting of the Options.

Except as otherwise decided by the Board of Directors or a committee of the Board of Directors (as applicable), the Options will mature into 3 equal portions and shall be exercisable for two years, three years and four years from the date of the awarding of the

respective options. The options should expire at the end of six years from the date the options were awarded.

The basic exercise price of each option for each ordinary share of NIS 0.02 par value shall be: (1) the higher between: (a) the opening price of the Company's share on the date of the Board of Directors' decision to award the options to the Offeree; (b) a premium of 5% above the average price of the Company's shares on the Tel Aviv Stock Exchange Ltd. (hereinafter: the "**Stock Exchange**") during the 30 trading days preceding the date of the decision to award the Options to the Offeree under the Option Plan, or (2) another price to be determined by the Company's Board of Directors (hereinafter: the "**Basic Exercise Price**"). The Basic Exercise Price will not actually be paid to the Company, but will only be used to determine the value of the monetary benefit to the Offeree deriving from the Options and the number of shares exercised therefrom (Cashless Exercise).

For details regarding plans for granting options to employees, grants which in practice were implemented as well as with regard to the exercise of options performed during the reporting period, see Note 15 to the 2024 consolidated financial statements in Chapter C below.

1.14.4 Officers and senior management

Senior officers are employed by the Company under personal employment agreement or under management and/or consulting agreements, and their terms of employment are subject to the Company's compensation policy. The terms of employment of officers who have employer-employee relations with the Company include, among others, a monthly salary, contributions to a pension fund and/or senior-employee insurance policy, contributions to a study fund, entitlement to annual vacation and convalescence pay, reimbursement of expenses and provision of company car. In addition, Company employees sign a nondisclosure and noncompetition undertaking. Said employment agreements (except for those of Mr. Haim Shani) are for an unlimited period, with each party entitled to terminate the agreement by prior notice. Senior officers of the Company are also insured under a directors and officers professional liability insurance policy.

In addition, on May 17, 2022, following receipt of the approval of the Balance Sheet, Compensation and Audit Committee, the Company's Board of Directors and the Special General Meeting of the Shareholders of the Company, the Company ratified its Compensation Policy for its officers, which pursuant to the provisions of section 267A (d) of the Companies Law, shall be valid for three years from the date of its approval by the General Meeting of the Company. For details of the Company's Compensation Policy, see section 4.6.2 in Chapter D below. For details of the employment terms of the senior officers in the Company, see section 4.6 in Chapter D of this Periodic Report.

1.14.5 The Company's investment in training and instruction

As part of its international marketing operations and support for its distributors, the Company also holds conferences and provides professional training for its distributors and regional sales staff. Professional training and enrichment are also provided to the employees in accordance with the decisions of the managers and the needs of the department. In addition, the Company provides in-house training for the staff of the different departments in the field of work safety. This training is given by the Company's

Chief Safety Officer at the Company's facilities, as part of his job duties and within the cost of his salary.

1.14.6 Service arrangements between the Company and Utron:

For details of the entering of the Company and Utron into service agreements as part of the split process, see section 4.7.1.5 of Chapter D of this Periodic Report.

1.15 Financing

As of the date of the report, the Company has no material loans and/or credit facilities.

1.16 Taxation

For details on the tax laws applying to the Company and its subsidiaries, see Note 23 to the Company's 2024 consolidated financial statements– Chapter C of this Periodic Report.

For details regarding the implications of the split on the taxation of the Company's securities holders see Chapter 2 of the Split Prospectus.

1.16.1 The tax rates applicable to the Company

Amendment 71 of the Encouragement of Capital Investments Law (hereinafter: the "**Law**") provides for a tax rate on preferred income from a preferred enterprise of 16% (excluding Area A). The amendment also provides that if a dividend is distributed to an individual or a foreign resident from the profits of the aforesaid preferred enterprise, a tax rate of 20% will apply. Amendment No. 73 of the Law provides for a unique tax benefit track for a "preferred technological enterprise" whereby a tax rate of 12% applies (except Area A).

The Company has notified the Tax Authority of transition to the Amendment starting from the 2017 tax year.

The management of the Company estimates that the Company is eligible for preferred income benefits from a preferred technology plant.

The corporate tax rate in Israel as of January 1, 2018, onwards is 23%.

1.16.2 The Company has tax assessments which are considered to be final up to 2019.

1.16.3 Approved enterprise/beneficiary enterprise

Until the end of 2016, the Company was on an approved/beneficiary enterprise track in accordance with the Encouragement of Capital Investments Law, 1959 (hereinafter: the "**Encouragement of Capital Investments Law**").

On November 15, 2021, Amendment 74 to the Encouragement of Capital Investment Law was published within the framework of the Economic Efficiency Law (Legislative Amendments for Attaining Budgetary Objectives for 2021 and 2022), 2021 (hereinafter: the "**Amendment to the Law**"), whereby, the company will be obligated to perform a pro

rata distribution of its exempt profits (if and to the extent it is held thereby on the date of the distribution) in the manner of a distribution (as such term is defined in the law) in accordance with the provisions of the law and the determined terms.

The Company recorded in 2024, 2023, and 2022 financial statements tax expenses in the amount of approximately NIS 946 thousand, approximately NIS 3,780 thousand and approximately NIS 1,332, respectively, in connection with dividends distributed following the application of the Amendment to the Law. The balance of the profits of an approved/beneficiary enterprise, which was not distributed and for which no obligation was recorded as of December 31, 2024 is approximately NIS 10.3 million. If a dividend is distributed from these profits, the Company will be taxed at the rate of 23% and the recipients of the dividend will be taxed at the rate of 15%.

- 1.16.4 On November 28, 2018, the Company received a tax decision from the Tax Authority in connection with the Utron Split, including the transfer of the shares of Utron Solutions from the Company to Utron. For details see Note 23G to the 2024 consolidated financial statements - Chapter C of this Periodic Report.
- 1.16.5 The subsidiary, Unitronics Inc. is taxed under American tax law, whereby the federal tax rate applicable thereto is 21%; in addition, Unitronics Inc. is liable for state tax at various rates (in accordance with the state in which the product is sold), wherein this amount is considered an expense for federal tax purposes.
- 1.16.6 The subsidiary Unitronics GMBH is taxed in accordance with the tax laws in Germany, wherein the total tax rate applicable thereto is 31.825%.

1.17 Restrictions on and supervision of Company activities

- 1.17.1 Business license: Company operations at Unitronics Building in Airport City require a business license under the Business Licensing Law, 1968. In June 2004 the Company received from the Business Licensing Department of the Modi'in District Regional Council a business license, unlimited in time, for its plant at Airport City.
- 1.17.2 Work safety: The Company has a safety officer at its plant, in charge of compliance with the work safety provisions. The Company holds annual training courses for employees of various departments on work safety issues.
- 1.17.3 Standards:

The Company is obliged to supply quality and reliable products and services, which meet both applicability requirements and the customer's requirements and expectations. As part of its obligation, the quality system of the Company which operates in compliance with the ISO 9001:2015 requirements, performs control, monitoring, measurements, analysis, provides training and communicates with Company's employees.

The Company operates a lab, equipped with instruments designed to enable the Company to check the proper functioning of its finished products, including their mechanical and operational properties, as well as their software components. This lab maintains contact with other test labs in Israel and abroad.

In accordance with the requirements of the two EU directives dealing with electronic products, Directive 2014/30/EU (a directive pertaining to electromagnetic compliance)

and Directive 2014/35/EU (a directive pertaining to safety aspects), the Company's products, which are defined as PLCs, must meet the standards defined in sections 8 and 11 of the EN 61131-2: 2007 standard, which deals with requirements applicable to such products. Pursuant to the provisions of these directives, the Company labels most of its PLCs of the series relevant to these directives with a CE mark, which indicates that the PLCs comply with the requirements of the directive.

Compliance with the above standards may be a legal requirement for marketing the Company's products in part of the Company's target markets, whereas in others this is a market requirement even though it is not a formal legal requirement. There is no certainty that the Company will be able to comply with the requirements applicable to its products in other standards, if required, and failure to comply with these regulations may limit the Company's ability to market its products in some of its target markets.

Most of the Company's PLCs and their external expansion components also comply with the requirements of US standards UL/cUL 61010-1, UL/cUL 61010-2-201 and UL/cUL 508 (safety aspects, including fire, temperature resistance, and electrical safety) and some comply with the requirements of the UL Hazardous Locations ISA 12.12.01 standard (work in a dangerous or explosive environment). Accordingly, the Company labels these products, and products largely based on them, with the UL/cUL mark.

Part of the Company's motion control products also comply with the requirements of US and Canadian standards, ANSI / UL 508C, UL 61800-5-1 and part comply with the requirements of ANSI / UL 508, UL 61010-1, UL 61010-2-201 standards. In accordance therewith, the Company marks these products with a UL/cUL marking. Part of the products also comply with the requirements of the European Standard IEC 61508-1, IEC 61508-2, IEC 61508-3, IEC 61508-4, EN 62061 / A2, EN ISO 13849-1, IEC 61800-5-2. In accordance therewith, the Company marks those products with a TUV marking.

The United States Securities and Exchange Commission regulations regarding "conflict minerals," which are designed to reduce the violation of human rights, require public companies listed on American stock exchanges to report the use of certain metals. These regulations are not directly applicable to the Company; however, they might be applicable to some of its customers, and therefore the Company is following developments in this matter.

As of the date of this report, the Company estimates that it will not spend material amounts over the next year on compliance with the provisions of the standards and regulations detailed above⁷.

1.18 Material agreements and cooperation agreements

As of the report date the Company does not have material agreements.

⁷ The information concerning the expected costs to the Company regarding compliance to the standards and regulations is forward-looking information. The principal data which served as a basis for this information are: the developments known to the Company today regarding the implementation of the regulations, the technical steps required for their implementation, and the Company's cooperation with its suppliers and manufacturers in this matter. The principal factors which may prevent this information from materializing are: changes in the provisions and/or interpretation of the regulations, and delays in compliance of the component and assembly vendors with these regulations.

1.19 Discussion of risk factors

The following are risk factors affecting the Company, and management's assessment as to the extent of their influence on its business:

Type of risk	Nature of risk	Estimated extent of influence on the Company
Macro risks	Market risks: The Company is exposed to fluctuations in interest rates, in exchange rates and in the consumer price index. For details see also Note 26 to the 2024 consolidated financial statements– Chapter C of this Periodic Report.	Medium
	Strikes in Israeli ports: Strikes in Israel's seaports and/or airports could delay the import of raw materials used by the Company and/or the export abroad of Company products, thereby disrupting the supply times to which the Company is committed, which is liable to cause the Company expenses and/or harm its reputation.	Low
	Geopolitical situation in Israel: the possibility of the reopening of the "Iron Swords" War, including on multiple fronts and the involvement of other countries therein, the worsening of the threat in the Red Sea and the trade routes adjacent thereto, etc. may lead to a significant impact on import/export transportation times and prices, on the exchange rate, as well as damage to the supply of raw materials from suppliers in combat zones.	Medium
Sector-related risks of the Company	Competition: The Company is exposed to competition from entities whose resources and reputation surpass those of the Company as set forth in section 1.9.15 above.	High
	Standards: The Company is exposed to risks arising from the failure of its products or services to comply with certain standard requirements as set forth in sections 1.9.20 and 1.9.21 above. Failure to comply with the regulatory requirements will impair the ability of the Company to market and sell its products in territories where such regulatory requirements are required.	Medium
	Raw materials: In general, the Company is exposed to risks arising from temporary shortages in electronic components worldwide and limited allocations of components by component manufacturers, in cases of excess demand..	Low
	Development of new technologies and/or products: The Company is exposed to the risks involved in developing new products and/or technologies, the successful development and/or the marketing of which is doubtful as specified in sections 1.9.4, 1.9.11 and 1.9.17 above. Failure to successfully develop and/or market new products may harm the competitiveness of the Company, its market position and in accordance therewith, its results.	Low

Type of risk	Nature of risk	Estimated extent of influence on the Company
	<p>Cyber threats and data security: The operations of the Company involve interfaces to information systems and digital information of various types.</p> <p>Over the past few years there has been an increase in the frequency and severity of cyber incidents (including cybercrime). This trend is expected to continue in the future and even worsen, despite all the defense mechanisms employed in the prevention thereof. Cyber incidents may lead to unauthorized access, unauthorized exposure, abuse, disruption, deletion or modification of the information of the Company's and/or its customers', as well as disrupt the current activity, damage computing services, slow them down significantly and even disable information systems.</p> <p>The Company is exposed to risks emanating from the use of a large variety of IT systems and various communications components, when some of these systems include internet connection and/or internet cloud. The Company uses different means to protect these systems, starting with a firewall, through encryption devices and software/hardware protections intended to prevent hacking or malware disruptions. The use of such protections proved in the past to be reliable and effective, as a rule, and the systems implemented by the Company has not been adversely affected by malicious activity such that were described above. Nevertheless, there is no guarantee that these means and devices will continue to protect in the future against hacking and disruption attempts. In the event of damage to the Company as a result of the aforesaid cyber-attacks, the Company may suffer negative consequences, such as disruption of the operations of the Company and/or its customers, disruption of the operation of the information systems of the Company or the shutdown thereof, the stealing of information from the Company and/or its customers, as well damage to the reputation of the Company which affects the trust of its customers.</p> <p>Furthermore, such damage caused by an act or failure of the Company may expose the group to lawsuits. In such cases, this may harm the business results of the Company.</p>	Medium

Type of risk	Nature of risk	Estimated extent of influence on the Company
Unique risks of the Company	Unregistered intellectual property: The Company has certain items of intellectual property that are not registered (although the Company also has registered intellectual property). The Company is exposed to risks arising from the non-registration of those items of intellectual property in respect of which applications were filed and are pending (for details see section 1.13 above).	Low
	Environmental risks: For details, see section 1.9.20 above.	Low

Chapter B – Board of Directors' Report on the State of the Company's Affairs **(Reg. 10 - 10A)**

The Board of Directors of the Company is pleased to submit the Board of Directors' Report on the State of the Company's Affairs for the year ended December 31, 2024 (hereinafter: "the reporting period"), in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970 (hereinafter: "the Regulations"). The Board of Directors' report reviews the major changes in the Company's activities which occurred during the period of the report up to the date of publication of the report. It is clarified that the description contained in the Board of Directors' report includes only information which, in the Company's opinion, constitutes material information and is made assuming that the reader has a description of the corporation's business as included in Chapter A of this periodic report.

1. General

1.1 Summarized Description of the Company and Its Business Environment

The Company is engaged in the design, development, production, marketing, sale and support of Programmable Logic Controllers (PLCs) (hereinafter: "**Controllers**") and other automation products. The Controllers are computer-based electronic products (hardware and software) used to control and monitor machines that perform automatic operations, such as production systems and other automated facilities in various fields. The Company has expanded its product line and has started to market and sell drive controllers (VFD and Servo systems), which are marketed mainly as complementary products to the Controllers of the Company and are designed to interface in an integrated and simple way with these Controllers. In addition, the Company launched a new integrative platform for cloud services (SaaS). The platform is designed to allow each customer to connect the Controllers of the Company (and even controllers from other companies) to an environment based on a cloud computing infrastructure, transfer data securely and create business dashboards (BI). In this service, too, the emphasis is based on a complementary service to the Controllers of the Company with added value, expressed in simplicity and ease of implementation and full integration with the other products of the Company.

The products and services of the Company are marketed and sold through the internal marketing and sales system of the Company, through subsidiaries in the United States and Europe, as well as through a distributor network which includes approximately 185 distributors, of which approximately 105 are in the United States and North America, and the remainder in approximately seventy countries (including Israel), mainly throughout Europe, Asia, and South America..

1.2 The consequences of the global shortage of electronic components

For details of the consequences of the global shortage of electronic components and the impact thereof on the Company, see section 1.7 in Chapter A of this Periodic Report.

1.3 The “Iron Swords” War

For details of the consequences of the "Iron Swords" War and its effect on the Company, see section 1.7 in Chapter A of this Periodic Report.

1.4 The effects of inflation and the increase in interest rates

Since 2021 there has been an increase in inflation rates in Israel and in the world. However, in 2023, the increase in the consumer price index in Israel was moderate with a rate of 3% in that year (compared to an increase of 5.3% in the previous year) and a rate of 3.2% in 2024. As a result of the global price increases, central banks in the world decided to raise interest rates in order to restrain price increases. In light of the moderation in global inflation, central banks in the US and the European Union have gradually lowered interest rates. However, due to the geopolitical risk in Israel, and in particular the ongoing Iron Sword War, the interest rate remained unchanged in 2024 at 4.5%.

The Company has taken loans from banking corporations linked to the prime interest rate, and the Company also rents a building and parking spaces with rental fees linked to the consumer price index. The Company estimates that the effect of the continued increase in the consumer price index as well as the increase in interest rates is not expected to significantly affect the results of its operations taking into account the scope of the loans and the increases influenced by the increase in interest and the consumer price index.

Further to the aforesaid in section 1.19 (Risk Factors) in Chapter A (Description of the Business of the Company) in this Periodic Report, the Company is continuously monitoring and examining the possible implications of the increase in the consumer price index and interest rates in the economy on the operations of the Company, its business and its financial results.

The Company estimates with regard to the effects of the “Iron Swords” War, the effects of inflation and the increase in interest rates as well as the global shortage of electronic components and the effect of these factors on the operations of the Company constitute forward-looking information, as such term is defined in the Securities Law, 1968, based, among other things, on the estimates of the Company, as of the date of publication of this report, in relation to factors beyond its control, including the great uncertainty regarding the extent of the war, its duration and impact on the Israeli economy. The estimates of the Company are based on information currently available to the Company, on publications on this subject and on the directives of the relevant authorities, which may not materialize, in whole or in part, and may materialize in a materially different manner, due to factors beyond the control of the Company, including the risk factors applicable to the Company specified in section 1.19 of Chapter A.

2. Analysis of the financial situation

2.1 Statement of Financial Position

<u>Subject</u>	<u>As of December 31</u>		Board of Directors explanations of the main changes
	2024	2023	
	<u>NIS thousands</u>		
Current assets	81,105	91,419	The decrease in the balance of current assets as of December 31, 2024 compared to December 31, 2023 of approximately NIS 10.3 million is mainly due to a decrease in the balance of cash and cash equivalents of approximately NIS 10.6 million and a decrease in the balance of inventory of approximately NIS 2.1 million, which was partially offset by an increase in trade receivables of approximately NIS 2.8 million.
Non-current assets	61,884	59,920	An increase of approximately NIS 2 million in the balance of non-current assets as of December 31, 2024 compared to the balance as of December 31, 2023, is mainly due to the classification of current debt of an affiliated company as non-current debt in the amount of NIS 3.5 million following the amendment of the debt balance repayment schedule, offset by a decrease in net right-of-use assets in the amount of approximately NIS 2.1 million due to periodic depreciation of the assets.
Total assets	142,989	151,339	
Current liabilities	44,747	72,300	The decrease in the balance of current liabilities as of December 31, 2024 compared to the balance on December 31, 2023 in the amount of approximately NIS 27.6 million is mainly due to the liability for a dividend declared in December 2023 in the amount of NIS 10 million and paid in full in January of this year, due to the expiration of a FIMI option warrant (approximately NIS 6.9 million) during the second quarter of the year, and also due to a decrease in balances of suppliers and service providers of approximately NIS 6.2 million and of other payables in the amount of approximately NIS 5.8 million (mainly tax payments and a decrease in expenses to pay, including bonuses).
Non-current liabilities	7,143	9,059	A decrease of approximately NIS 1.9 million in the balance of non-current liabilities as of December 31, 2024, compared to their balance as of December 31, 2023, is mainly due to a decrease in liabilities for long-term leases in the amount of approximately NIS 1.9 million due to current repayment of the liabilities.
Equity	91,099	69,980	The increase in the equity balance of the Company as of December 31, 2024, in the amount of approximately NIS 21.1 million, is mainly due to a profit for 2024 in the amount of approximately NIS 43.7 million and a capital reserve due to a share-based payment in the

<u>Subject</u>	As of December 31		Board of Directors explanations of the main changes
	2024	2023	
	<u>NIS thousands</u>		
			amount of NIS 1.4 million, offset by dividends distributed in the amount of NIS 24 million.
Total liabilities and equity	142,989	151,339	

The working capital of the Company on December 31, 2024, and December 31, 2023, was approximately NIS 36,358 thousand and approximately NIS 19,119 thousand, respectively.

2.2 Operating results

Subject	For the year ended December 31			Board of Directors explanations of the main changes in 2024 versus 2023
	2024	2023	2022	
	USD thousands			
Revenues	192,236	211,671	155,520	The revenues of the Company in 2024 decreased by approximately 9% compared to 2023 due to the use of inventory that accumulated with some customers, as they stocked up on excess inventory during the global shortage of electronic components that began in 2020 the impact of which ended in the reporting year.
Cost of revenues	93,954	106,096	83,434	
Gross profit (Gross profit margin)	98,282 (51.1%)	105,575 (49.9%)	72,086 (46.4%)	The gross profit decreased in 2024 compared to 2023 by approximately NIS 7.3 million due to the decrease in revenue. At the same time, an improvement in the gross profit rate was recorded, mainly as a result of a change in the mix of customers and products and as a result of the activities of the Company to reduce the prices of raw materials.
Development expenses	4,777	4,471	3,436	Development expenses increased in 2024 by approximately NIS 0.3 million, mainly due to an increase in salary and related expenses due to an investment in development projects of new Controllers, offset by an increase in expenses attributed to capitalized projects.
Sales and marketing expenses	33,355	35,197	29,038	An increase in sales and marketing expenses of approximately NIS 1.8 million in 2023, mainly due a decrease in commission costs for sales agents in the United States following the continued reduction of activity with agents and the transition to direct sales activity, as well as due to a decrease in other variable expenses, such as transportation costs.

Subject	For the year ended December 31			Board of Directors explanations of the main changes in 2024 versus 2023
	2024	2023	2022	
	USD thousands			
General and administrative expenses	15,655	14,773	13,219	Administrative and general expenses during the reporting period increased by approximately NIS 0.9 million, mainly due to an increase in salary and salary related expenses.
Other income	70	-	-	Other income is attributed to capital gain from the sale of fixed assets.
Operating income	44,565	51,134	26,393	
Finance income (expenses), net	(280)	(1,532)	321	A decrease in financing expenses, net of approximately NIS 1.3 million in 2024 compared to 2023, mainly due to a profit from foreign currency hedging transactions versus a loss in 2023, and due to payment for release from an indemnity agreement to a foreign insurance company in 2023. The decrease in financing expenses, net, was partially offset by expenses from exchange rate differences in 2024 versus income from exchange rate differences in 2023.
Gains (losses) in respect of revaluation of option warrant liabilities	6,907	2,451	(3,336)	Profit of NIS 6.9 million in 2024 due to the expiration of the FIMI option warrant during the second quarter of the reporting year.
Profit before income taxes	51,192	52,053	23,378	
Income taxes	7,484	10,840	4,517	Decrease in tax expenses in 2024 compared to 2023 of approximately NIS 3.4 million is mainly due to a decrease in tax expenses on distributed dividends.
Profit for the period from current operations	43,708	41,213	18,861	

2.3 Liquidity and financing resources

As of December 31, 2024, 2023, and 2022, the cash and cash equivalent balances of the Company amounted to approximately NIS 2,677 thousand, approximately NIS 13,259 thousand and approximately NIS 6,937 thousand, respectively. For explanations of the changes in cash flows:

	For the year ended December 31			Board of Directors explanations of the changes
	2024	2023	2022	
	USD thousands			
Cash flow – operating activities	34,909	58,379	18,677	<p>The cash flows deriving from current operations derive from the profit of the operations of the Company in the amount of approximately NIS 43.7 million, net of the adjustments required to present the cash flow of current activities in the amount of approximately NIS 8.8 million. These adjustments include:</p> <p>1) An addition in respect of income and expenses which do not involve cash flows in the amount of approximately NIS 8 million, which mainly derives from depreciation and amortization in the amount of NIS 13.5 million, offset by a profit in respect of expiry of FIMI option warrant in the amount of NIS 6.9 million);</p> <p>2) A decrease due to changes in working capital in the amount of approximately NIS 16.8 million mainly due to a decrease in trade payables and service providers balances of approximately NIS 5.9 million, decrease in other payables balances in the total amount of approximately NIS 5.9 million as well as an increase in the balance of related companies in the amount of approximately NIS 3.5 million.</p> <p>The decrease in cash flow from current operations is mainly due to the changes in the differences of the equity items.</p>
Cash flow – investment activities	(11,125)	(9,735)	(10,504)	Cash flows used for investing activities were used mainly for investments in development assets.
Cash flow – financing activities	(34,674)	(42,758)	(29,784)	Cash flows used for financing activities in 2024 were mainly in respect of a dividend payment of NIS 34 million.

As of December 31, 2024, the Company has loans and credit facilities of a non-material amount. The Company applies from time to time to financial institutions for credit lines in accordance with the needs thereof.

3. Events in the period of the report and subsequent to the date of the balance sheet

3.1 For events that occurred from January 1, 2024 until the date of publication of this report, see section 2.7 of the Board of Directors' Report of the Company attached to the 2023 Periodic Report, section 3 of the Board of Directors' Report attached to the 2024 First Quarter Report, section 3 of the Board of Directors' Report attached to the 2024 Second Quarter Report and section 3 of the Board of Directors' Report attached to the 2024 Third Quarter Report (which were published on March 20, 2023, May 9, 2024, August 15, 2024 and November 27, 2024, respectively. Reference numbers: 2024-01-028650, 2024-01-045703, 2024-01-087850 and 2024-01-619319, respectively)

3.2 A special meeting of the shareholders of the Company was convened on December 29, 2024, in which it was decided to authorize the Company to enter into a transaction for the sale of dedicated developments, developed for the systems of Utron Ltd., to Utron, a company controlled by the controlling shareholders of the Company, the FIMI Fund and Mr. Haim Shani, for a total amount of approximately NIS 2,221 thousand. For further details, see the meeting convening notice dated November 24, 2024 (reference number: 2024-01-617916) and the supplementary report to the meeting convening notice dated December 22, 2024 (reference number: 2024-01-626209), which are included herein by way of reference.

4. Report on Liabilities by Maturity Dates (Reg. 9D)

For details of the Company's liabilities by maturity dates, as of December 31, 2024, see Immediate Report T-126 published by the Company concurrently with the publication of this report, which is hereby incorporated by reference.

5. Corporate Governance Aspects

5.1 Details of the Company's Internal Auditor

- a) The Company's internal auditor is CPA Daniel Shapira, who has held this position since May 2019. The appointment of CPA Shapira was approved at the meetings of the Balance Sheet Committee, the Remuneration Committee and the Audit Committee (hereinafter in this section 5.1: the "**Audit Committee**") and the Company's Board of Directors on May 27, 2019 and May 30, 2019, respectively. To the best of the Company's knowledge, CPA Shapira complies with section 146 (B) The Companies Law and the provisions of Section 8 of the Internal Audit Law, 1992 (hereinafter: the "**Internal Audit Law**"). In the opinion of the Company's Board of Directors, CPA Shapira fulfills the requirements set specified in the above standards, taking into account his professionalism, his skills, his period of employment By the Company, its familiarity with the Company, and the manner in which it edits, submits and presents

to the Company the findings of the audits conducted by him. The Internal Auditor appointed to the position after the Audit Committee and the Company's Board of Directors have reviewed his experience and activities in the field of internal auditing with other public companies and, inter alia, in the type of the company, its size, scope and complexity, and in light of its duties, powers and functions Imposed upon him. The internal auditor of the company has no material business or other significant relationships with the company or a related company It should be noted that the internal auditor also serves as the internal auditor of Utron Ltd., a company controlled by the company's controlling shareholders. To the best of the Company's knowledge, the Internal Auditor does not play any role outside the Creator Company or may conflict with his role as the Company's internal auditor and does not hold any of the Company's securities.

- b) CPA Daniel Shapira does not play any additional role in the Company beyond his term as Internal Auditor of the Company and provides internal audit services to the Company as an external entity through the firm of Daniel Shapira Accountants located in 7, Jabotinsky St., Ramat Gan, which specializes in internal audit, and has more than 30 years of internal audit experience in public companies in a variety of areas of activity.
- c) The organizational supervisor of the internal auditor of the company is the chairman of the board of directors of the company, and the chairman of the audit committee of the company as a professional supervisor and the person who directs the internal auditor on the matters for internal audit.

Work plan and considerations in its determination: The audit work plan in the Company is a multi-year plan, the considerations in which it is determined are mainly: (1) the internal auditor's proposals, (2) the members of the audit committee and the company's board of directors based, inter alia, on the internal auditor's proposals, Internal Audit Issues In previous years, the Company's General Counsel's recommendations and issues discussed at regular meetings of the Audit Committee and the Company's Board of Directors, (3) the size of the Company, its organizational structure, the nature and scope of its business activities, and (4) a risk survey conducted at the Company and necessary adjustments. The audit committee discusses and approves the annual work plan and the issues to be reviewed by the internal auditor and these issues are reviewed by the internal auditor in his annual work. It is the internal auditor's authority to act in his discretion as to whether to deviate from the planned program and to check data found by him at random during the execution of the work plan. If the internal auditor decides to carry out a comprehensive examination of a topic or subject that is not on the list approved by the Audit Committee for the annual or periodic work plan, the internal auditor will recommend to the Chairman and the Audit Committee to amend the program, and this will result in discussion and approval within the meetings of the Audit Committee. The Audit Plan refers, from time to time, and in accordance with the requirements, also to the foreign activities of the Company.

- d) During the reporting period, 120 hours were spent by the internal auditor on internal auditing of the Company in Israel. The Board of Directors believes that this number of hours is consistent with the activity reviewed by the auditor. The auditor is allowed

flexibility in shifting hours from one issue to another. Also, since his work is carried out on a regular and continuous basis, the internal auditor can shift hours from one year to the next to enable suitable in-depth and exhaustive coverage of the reviewed issues at his discretion. Furthermore, the scope of employment of the internal auditor is determined each year together with the approval of the work plan, taking into consideration, inter alia, and the scope of the work plan for the relevant year, its complexity and the sensitivity of the issues reviewed during that year.

The internal auditor, pursuant to the notice thereof to the Company, performs the internal audit in accordance with generally accepted professional standards, as stated in section 4(b) of the Internal Audit Law, which are based on the professional standards for internal auditing. In the Board of Directors' opinion, the internal auditor meets the requirements stipulated by the above standards, having regard to the internal auditor's professional aptitude and skills, the duration of his employment by the Company, his familiarity with the Company, and the manner in which he prepares and submits the audits and presents their findings to the Company.

- (e) Review of material transactions: The internal auditor did not review the material transactions, as the term is defined in section 5(f) of the Fourth Schedule to the Regulations, which the Company executed during the reporting period, including the process of their approval.
- (f) All documents and information requested by the internal auditor, including with respect to operations of subsidiaries, are provided to him as stipulated by section 9 of the Internal Audit Law, and he is allowed free access to such information, including continuous, unmediated access to Company information systems, including financial data.
- (g) Below are the dates on which a written report on the internal auditor's findings was submitted to the Chairman of the Board of Directors and the Chairman of the Audit Committee, and the dates on which a discussion was held on the reports by the Audit Committee and/or Board of Directors of the Company:

Issue	2024 reports	2023 reports
Report subjects	Sales and marketing	Risk survey of the Company operations
Date of discussion by Audit Committee	March 16, 2025	March 12, 2024
Date of discussion by Board of Directors	March 19, 2025	March 19, 2024

- (h) The Board of Directors believes that the scope, nature and continuity of the activity and work plan of the Company's internal auditor are reasonable, considering the size of the Company, its organizational structure and the nature and scope of its business activities, and that they allow for the fulfillment of the objectives of the internal audit.

- (i) The internal auditor's fee for services rendered for 2024 amounted to approximately NIS 24 thousand. The internal auditor is paid an hourly rate of NIS 200. In the Board of Directors' opinion, the remuneration of the internal auditor does not influence his professional judgment, considering, inter alia, the Board of Directors' impression of the manner in which he performs the internal audit work at the Company, the level of detail, accuracy and depth of the audit findings submitted by him to date, as well as the amount of his overall income relative to his fee as the Company's internal auditor, to the best of the Company's knowledge.

5.2 Directors with Accounting and Financial Skills

Pursuant to section 92 (a) (12) of the Companies Law, The Company's board of directors has determined that the minimum number of directors having accounting and financial expertise is two. This decision was made taking in account, among others, the type and size of the Company, as well as the scope and complexity of its business activities. In the opinion of the Company's board of directors, the minimum number of directors as stated allows the board to perform and exercise its duties, functions, and powers pursuant to the law and the Company's incorporation documents.

For details on directors having accounting and financial skills, see section 4.12 in Chapter D of this Periodic Report.

5.3 Independent directors

As of the report date, the Company has not incorporated in its Articles of Association the provisions of the Companies Law, 1999, regarding the number of independent directors.

5.4 Donations policy

The Company has no policy regarding charitable donations.

5.5 Disclosure Regarding Fee of Independent Auditors

The accountant of the Company and its subsidiaries in Israel and the United States is BDO Ziv Haft.

The fee of the Company's accountants for the services provided to the subsidiaries is determined based on the scope of work required to render the services. The accountants' fee is determined in accordance with the recommendation of the Company's management (and upon receipt of the Audit Committee's position that the salary paid to the auditor during the reporting period is adequate) by the Company's Board of Directors in light of the required audit work and to compare external auditors' fees in public companies similar to the Company in relation to the scope Their activity, in relation to the salary used in previous years, and in relation to the volume of audit activity expected in the reporting year, According to the authority granted to him by the General Meeting of Shareholders of the Company which appointed the auditors.

Below are details of the total remuneration to which the Company's independent auditors are entitled in respect of audit and other services for companies and subsidiaries thereof in the reporting year and in the previous year:

Nature of service	2024 NIS thousands	2023 NIS thousands
Audit services, audit-related services, and tax services	364	390
Other services	-	-

6. **Disclosure Requirements in Connection with Financial Reporting**

6.1 **Critical accounting estimates:**

For details on the critical accounting estimates used in the financial statements, see Note 2 (Accounting Policy) to the 2024 consolidated financial statements – Chapter C of this Periodic Report.

6.2 Share Buyback – As of the reporting date, the Company has no buyback plans in effect.

Amit Ben-Zvi
Joint Active Chairman of the
Board of Directors

Haim Shani
Active Chairman of the
Board of Directors

Amit Harari
CEO

March 19, 2025

UNITRONICS (1989) (R"G) LTD

Consolidated Financial Statements December 31, 2024

Unitronics (1989) (R"G) Ltd

Consolidated Financial Statements

December 31, 2024

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**Independent Auditor's Report to the shareholders of Unitronics (1989) (Reg) Ltd.
With regard to the audit of the internal control components on the financial reporting in accordance with
Regulation 9b(c) of the Securities Regulations (Periodic and Immediate Reports), 1970**

We have audited the internal control components on the financial reporting of Unitronics (1989) (RG) Ltd. and the Subsidiaries (hereinafter collectively: the "**Company**") as of December 31, 2024. These control components were determined as specified in the next section. The Board of Directors and management of the Company are responsible for maintaining effective internal control over the financial reporting and their evaluation of the effectiveness of internal control components on the financial reporting attached to the Periodic Report for the aforesaid date. It is our responsibility to express an opinion on the internal control components of the Company on the financial reporting based on our audit.

The internal control components in the financial reporting that were audited were determined in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel "Audit of Internal Control Components in the Financial Reporting" (hereinafter: "**Audit Standard (Israel) 911**"). These components are: (1) controls at the organization level, including controls on the process of editing and closing financial reporting and general controls of information systems; (2) controls in the revenue process; (3) controls in the procurement and inventory process (hereinafter collectively referred to below as: the "**Controlled Control Components**").

We conducted our audit in accordance with Auditing Standard (Israel) 911. In accordance with this standard, we are required to plan and perform the audit with the aim of identifying the Controlled Control Elements and obtaining a reasonable degree of assurance as to whether these control elements have been effectively implemented in all material respects. Our audit included gaining an understanding of the internal control of the financial reporting, identifying the Controlled Control Components, assessing the risk of a material weakness in the Controlled Control Components, as well as examining and evaluating the effectiveness of the planning and operation of these control components based on the assessed risk. Our audit, with regard to these control elements, also included the execution of these other procedures as we deemed necessary, in accordance with the circumstances. Our audit referred only to the Controlled Control Components, as opposed to internal control on the material processes in connection with the financial reporting, and therefore our opinion refers to the Controlled Control Components only. Furthermore, our audit did not refer to mutual effects between the controlled and non-controlled control components and therefore, our opinion does not take into account such possible effects. We believe that our audit provides an adequate basis for our opinion in the context specified above.

Due to inherent limitations, internal control of the financial reporting in general, and its components in particular, may not prevent or detect a misrepresentation. Furthermore, drawing conclusions about the future based on any current assessment of effectiveness is exposed to the risk that the controls will become inappropriate due to changes in circumstances or that the extent to which the policies or procedures exist will deteriorate.

In our opinion, the Company has effectively maintained, in all material respects, the Controlled Control Components as of December 31, 2024.

We also audited, in accordance with generally accepted auditing standards in Israel, the consolidated financial statements of the Company as of December 31, 2024 and 2023 and for each of the three years in the period ending on December 31, 2024, and our report, dated March 19, 2025, included an unreserved opinion on these financial statements.

Ziv Haft
Certified Public Accountants (Isr.)
BDO Member Firm

Tel Aviv, March 19, 2025

Independent Auditors' Report
To the shareholders of Unitronics (1989) (R"G) Ltd.

We have audited the accompanying consolidated statements of financial position of Unitronics (1989) (R"G) Ltd. (hereinafter the "**Company**"), as of December 31, 2024 and 2023 and the Consolidated Statements of Profit or Loss, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash flows for each of the three years ended December 31, 2024. These Consolidated Financial Statements are in the responsibility of the Board of Directors and Management of the Company. It is our responsibility to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards, generally accepted in Israel, including those prescribed under the Auditor's Regulations (Auditor's Mode of Performance) 1973. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors and Management of the Company, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the above financial statements present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2024 and 2023 and the results of operations, changes in equity and cash flows thereof for each of the three years ended December 31, 2024, in conformity with IFRS Accounting Standards and the provisions of the Securities Regulations (Annual Financial Statements), 2010.

Audit key issues

Key issues in the audit specified below are the matters that were communicated, or were required to be communicated, to the Board of Directors of the Company and which, in accordance with our professional judgment, were the most material issues in the audit of the consolidated financial statements for the current period. These matters include, among others, any matter which: (1) relates, or may relate, to material sections or disclosures in the financial statements, and (2) our opinion in regard thereof was particularly challenging, subjective or complex. These matters received a response as part of our audit and formulated our opinion on the consolidated financial statements in general. The communication of these matters below does not alter our opinion on the consolidated financial statements in general as a whole and we do not use this to form a separate opinion on these matters or on the sections or disclosures to which they refer.

Inventory Value

In accordance with the aforesaid in Note 6 of the financial statements of the Company, the inventory balance as of December 31, 2024, amounted to a total of NIS 43,700 thousand. The inventory balance constitutes 30.4% of the total balance sheet balance and consists of raw and auxiliary material inventory, packaging materials, purchased products, work-in-process inventory, and completed product inventory. The Company periodically examines the situation of the inventory mainly on the basis of actual and future utilization/use of the material as well as on the basis of the age thereof. In accordance with the aforesaid examination, the Company periodically updates the provision for loss of value for slow inventory and dead inventory.

The management of the Group is required to make decisions which involve estimates and assessments when registering a provision for inventory impairment and measuring it as the lower of cost or net realizable value, based on recent sales prices and inventory utilization history.

Due to the relative complexity and scope of the issue, we identified this issue as a key issue in the audit.

The audit procedures carried out in response to a key issue in the audit:

1. An understanding of the processes and systems involved in the Company was achieved with reference to the inventory section and the planning, implementation and operational effectiveness of controls relevant to the audit in connection with the estimation of inventory values were examined.
2. Examination of the inventory counts performed by the Company in the locations selected taking into account the materiality, including on a sample basis, examining the existence of items included in the accounting records as well as examining the completeness of their registration.
3. Checking the accuracy of the inventory values, on a sample basis, including the examination of the bill of materials.

4. We examined sales prices (net realizable value), on a sample basis, proximate to the end of the reporting period, against the inventory cost.
5. Examination of the accuracy of inventory aging and rotation, on a sample basis,.
6. Assessing the discretion of the management with regard to the amount of the provision for the decrease in the value of the inventory.

We also audited, in accordance with Audit Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel "Audit of Internal Control Components on the Financial Reporting", internal control components in the financial reporting of the Company as of December 31, 2024, and our report dated March 19, 2025 included an unreserved opinion on the existence of these components in an effective manner.

Ziv Haft
Certified Public Accountants (Isr.)
BDO Member Firm

Tel Aviv, March 19, 2025

Unitronics (1989) (R"G) Ltd.
Consolidated Statements of Financial Position

		December 31, 2024	December 31, 2023
	Note	NIS thousands	
<u>Current assets</u>			
Cash and cash equivalents	3	2,677	13,259
Trade receivables, net	4	25,967	23,174
Other receivables	5	3,886	3,405
Related companies	22	4,875	5,821
Inventories	6	43,700	45,760
		81,105	91,419
<u>Non-current assets</u>			
Right-of-use assets	7	14,119	16,213
Other deposits		110	121
Fixed assets, net	8	2,183	2,361
Related companies	22	3,548	-
Intangible assets, net	9	41,924	41,225
		61,884	59,920
		142,989	151,339

Amit Ben Zvi and Haim Shani
Joint Chairmen of the Board of
Directors

Amit Harari
CEO

Itzik Hai
CFO

Date of approval of the financial statements: March 19, 2025

The notes to the Consolidated financial statements form an integral part thereof.

Unitronics (1989) (R"G) Ltd.
Consolidated Statements of Financial Position

		December 31, 2024	December 31, 2023
	Note	NIS thousands	
<u>Current liabilities</u>			
Loans from banks and others	10, 12	2,693	867
Trade payables		19,289	25,525
Related company	22	-	440
Lease liabilities	7	1,952	1,858
Dividend payable	16C	-	10,000
Other payables	11	20,813	26,703
Warrants option liabilities	26E	-	6,907
		<u>44,747</u>	<u>72,300</u>
<u>Non-current Liabilities</u>			
Loans from a bank and others	12	142	344
Employee benefit liabilities, net	13	1,414	1,750
Lease liabilities	7	613	2,524
Deferred tax liability	23H	4,974	4,441
		<u>7,143</u>	<u>9,059</u>
<u>Contingent liabilities, mortgages, guarantees and agreements</u>			
	14		
<u>Equity</u>			
	15,16		
Share capital		430	430
Additional paid-in capital		64,603	64,361
Capital reserve from translation of financial statements of foreign activities		(1,701)	(1,722)
Share-based payments reserve		1,751	588
Treasury shares		(7,042)	(7,042)
Fund regarding a transaction with the controlling shareholder		104	104
Retained earnings		32,954	13,261
		<u>91,099</u>	<u>69,980</u>
		<u>142,989</u>	<u>151,339</u>

The notes to the Consolidated financial statements form an integral part thereof.

-Unitronics (1989) (R”G) Ltd.
Consolidated Statements of Profit or Loss

	Note	For the year ended December 31,		
		2024	2023	2022
		NIS thousands		
Revenues	24	192,236	211,671	155,520
Cost of revenues	17	93,954	106,096	83,434
Gross profit		98,282	105,575	72,086
Development expenses	18	4,777	4,471	3,436
Selling and marketing expenses	19	33,355	35,197	29,038
General and administrative expenses	20	15,655	14,773	13,219
Other income		70	-	-
Operating profit		44,565	51,134	26,393
Finance income	21A	968	788	963
Finance expenses	21B	1,248	2,320	642
Gain (loss) from revaluation of warrant option liabilities	26E	6,907	2,451	(3,336)
Profit before income taxes		51,192	52,053	23,378
Income taxes	23J	7,484	10,840	4,517
Profit for period		43,708	41,213	18,861
Basic earnings (loss) per ordinary share of NIS 0.02 par value :	25			
Basic earnings per share in NIS		3.139	2.979	1.367
Diluted earnings per share in NIS		2.591	2.705	1.355

The notes to the Consolidated financial statements form an integral part thereof.

Unitronics (1989) (R"G) Ltd.
Consolidated Statements of Comprehensive Income (Loss)

	For the year ended December 31,		
	2024	2023	2022
	NIS thousands		
Net income	43,708	41,213	18,861
Other comprehensive profit (net of taxes)			
<u>Items that will not subsequently be reclassified to profit or loss:</u>			
Remeasurement gain (losses) from defined benefit plans	(15)	125	215
<u>Items that will be reclassified to profit or loss if certain conditions are met:</u>			
Foreign currency translation adjustments of foreign operations	21	363	1,175
Other comprehensive profit for the year	6	488	1,390
Total comprehensive income for the year	43,714	41,701	20,251

The notes to the Consolidated financial statements form an integral part thereof.

Unitronics (1989) (R"G) Ltd.
Consolidated Statements of Changes in Equity

	Share capital	Additional paid-in capital	Capital reserve from translation of financial statements of foreign operations	Share- based payments reserve	Company shares held by the company	Reserve from a transaction with a controlling party	Retained earnings	Total
	NIS thousands							
<u>Balance at January 1, 2022</u>	<u>428</u>	<u>63,877</u>	<u>(3,260)</u>	<u>673</u>	<u>(7,042)</u>	<u>104</u>	<u>16,349</u>	<u>71,129</u>
Profit for the year	-	-	-	-	-	-	18,861	18,861
Other comprehensive income for the year	-	-	1,175	-	-	-	215	1,390
Total comprehensive income for the year	-	-	1,175	-	-	-	19,076	20,251
Share-based payment cost	-	-	-	253	-	-	-	253
Dividend distribution	-	-	-	-	-	-	(15,000)	(15,000)
Exercise of employee stock options	*	59	-	(59)	-	-	-	-
<u>Balance at December 31, 2022</u>	<u>428</u>	<u>63,936</u>	<u>(2,085)</u>	<u>867</u>	<u>(7,042)</u>	<u>104</u>	<u>20,425</u>	<u>76,633</u>
Profit for the year	-	-	-	-	-	-	41,213	41,213
Other comprehensive income for the year	-	-	363	-	-	-	125	488
Total comprehensive income for the year	-	-	363	-	-	-	41,338	41,701
Share-based payment cost	-	-	-	148	-	-	-	148
Dividend distribution	-	-	-	-	-	-	(48,502)	(48,502)
Exercise of employee stock options	2	425	-	(427)	-	-	-	-
<u>Balance at December 31, 2023</u>	<u>430</u>	<u>64,361</u>	<u>(1,722)</u>	<u>588</u>	<u>(7,042)</u>	<u>104</u>	<u>13,261</u>	<u>69,980</u>
Profit for the year	-	-	-	-	-	-	43,708	43,708
Total comprehensive income (loss) for the year	-	-	21	-	-	-	(15)	6
Total comprehensive income for the year	-	-	21	-	-	-	43,693	43,714
Share-based payment cost	-	-	-	1,405	-	-	-	1,405
Dividend distribution	-	-	-	-	-	-	(24,000)	(24,000)
Exercise of employee stock options	*	242	-	(242)	-	-	-	-
<u>Balance at December 31, 2024</u>	<u>430</u>	<u>64,603</u>	<u>(1,701)</u>	<u>1,751</u>	<u>(7,042)</u>	<u>104</u>	<u>32,954</u>	<u>91,099</u>

(*) Lower than NIS 500

The notes to the Consolidated financial statements form an integral part thereof.

Unitronics (1989) (R"G) Ltd.
Consolidated Statements of Cash Flows

	For the year ended December 31,		
	2024	2023	2022
	NIS thousands		
<u>Cash flows - operating activities</u>			
Profit for the year	43,708	41,213	18,861
Adjustments required to reconcile Net income to net cash provided by operating activities (Appendix A)	(8,799)	17,166	(184)
Net cash flows derived from operating activities	34,909	58,379	18,677
<u>Cash flows - investing activities</u>			
Investment in fixed assets	(582)	(694)	(893)
Proceeds from the exercise of fixed assets	157	-	-
Repayment of short-term debt to related companies	444	-	-
Investment in right-of-use assets	(273)	(253)	(167)
Investment in intangible assets	(10,871)	(8,788)	(9,444)
Net cash flows used in investing activities	(11,125)	(9,735)	(10,504)
<u>Cash flows - financing activities</u>			
Repayment of long-term loans	(871)	(2,339)	(3,144)
Long-term loans received from others	-	220	-
Short-term credit from banks, net	2,500	-	-
Repayment of lease liabilities	(2,303)	(2,137)	(1,640)
Dividends paid	(34,000)	(38,502)	(25,000)
Net cash used in financing activities	(34,674)	(42,758)	(29,784)
Effect of foreign exchange rate differences on balances of cash	308	436	820
Annual changes in cash and cash equivalents	10,582	6,322	(20,791)
Cash and cash equivalent balances at the beginning of the year	13,259	6,937	27,728
Cash and cash equivalents balances at the end of the year	2,677	13,259	6,937

The notes to the Consolidated financial statements form an integral part thereof.

-Unitronics (1989) (R"G) Ltd.
Consolidated Statements of Cash Flows

For the year ended
December 31,

2024	2023	2022
NIS thousands		

Appendix A

Adjustments required to reconcile net income to net cash
provided by operating activities

Non-cash revenues and expenses

Depreciation and amortization	13,513	12,831	11,583
Stock-based compensation	1,405	148	253
Accrued severance pay, net	(335)	238	(29)
Revaluation of cash balances in foreign currency	(285)	(257)	(390)
Change in deferred taxes	535	(260)	224
Revaluation of long-term loans	(5)	48	64
Capital gain from exercise of fixed assets	(70)	-	-
Revaluation of other financial assets	(99)	(152)	19
Revaluation of warrants for share options	(6,907)	(2,451)	3,336
Accrued interest and revaluation in respect of leases	199	233	79

Changes in operating assets and liabilities:

Decrease (increase) in trade receivables	(2,863)	9,860	(11,176)
Decrease (increase) in other receivables	(398)	2,676	(3,548)
Decrease (increase) in inventories	2,141	(6,548)	(10,818)
Increase in related companies, net	(3,460)	(2,348)	(1,103)
Increase (Decrease) in suppliers and service providers	(6,240)	(3,800)	9,263
Increase (decrease) in other payables	(5,930)	6,948	2,059
	<u>(8,799)</u>	<u>17,166</u>	<u>(184)</u>

Appendix B - Supplemental disclosure of cash flows –
current activities:

Cash paid during the year for:

Interest	<u>613</u>	<u>565</u>	<u>246</u>
Income taxes	<u>10,177</u>	<u>7,751</u>	<u>2,262</u>

Cash received during the year for:

Interest	<u>35</u>	<u>81</u>	<u>-</u>
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Appendix C – Non-cash transactions

New lease agreements	404	3,587	1,089
Classification to long-term debt of related companies	5,686	-	-
Dividend declaration	-	10,000	-

The notes to the Consolidated financial statements form an integral part thereof.

Unitronics (1989) (R"G) Ltd.
Notes to the Consolidated Financial Statements

Note 1 – General

- A. Unitronics (1989) (R"G) Ltd. (hereinafter: the "Company") was incorporated in August 1989. In 2004, the Company issued securities on the stock exchange in Tel Aviv. The address of the registered office of the Company is Arava 3, Airport City.

The Company is jointly held by the FIMI Fund and Mr. Haim Shani, see Note 16E below.

Until March 12, 2019, the Group operated in two main segments, the product segment and the automated solutions segment, and also held 100% of the capital and control rights of Utron Automated Solutions Ltd. (hereinafter: "Utron Solutions", formerly Unitronics Automated Solutions Ltd). As of March 12, 2019, the Company operates only in the product segment, and its operations in the automated solutions segment have been transferred to Utron Ltd. (hereinafter: "Utron"), as part of the Spinoff in accordance with the Spinoff Prospectus and the listing for trading (hereinafter: the "Spinoff").

- B. The Group (the Company and its subsidiaries as set forth in section C below) operates in the design, development, production, marketing, sale and support of programmable logic controllers (PLC) and automation products.
- C. Details of the subsidiaries, their activities and the holding rates therein:
1. The Company holds 100% of the capital and controlling rights in Unitronics Inc. (hereinafter: "Unitronics Inc."). Unitronics Inc. was established by the Company in the United States and commenced operations in June 2001. Unitronics Inc. is primarily engaged in coordinating and managing the marketing and distribution activities of the Company's products in the United States.
 2. The Company holds 100% of the equity and control of Unitronics GMBH (hereinafter: "Unitronics GMBH"). Unitronics GMBH was established by the Company in Germany and started its operations in October 2020. Unitronics GMBH deals primarily with the marketing and distribution activities of the Company's products in Europe.
 3. The Company holds 100% of the equity and control of Unitronics Building Management and Maintenance (2003) Ltd. (hereinafter: "Unitronics Management"). Unitronics Management was established by the Company in 2003 and commenced operations in January 2004. Unitronics Management is primarily engaged in the management and maintenance of Unitronics Building - the building in which the Company's facilities and offices are located.
- D. The consequences of the "Iron Swords" War on the Company

On October 7, 2023, the State of Israel faced a surprise attack by terrorist organizations from the Gaza Strip, following which the Israeli government declared the "Iron Swords" War. Closely following the surprise attack, fighting began on the northern border of the country. Thereafter, a security threat also developed in the Red Sea area and the trade routes adjacent thereto from the Houthis in Yemen, plus Israel was also attacked by Iran and its proxies with missiles and drones.

The war has had a significant impact on the Israeli economy, manifested, among other things, by the evacuation of the population from conflict zones, the extensive mobilization of reserve forces, the temporary closure of businesses, the volatility of the NIS against foreign currencies, and the downgrading of Israel's credit rating by leading credit rating agencies.

As of the date of publication of the reports, a ceasefire agreement exists between Israel and Lebanon. In addition, in January 2025, an agreement was signed between Israel and the terrorist organization Hamas, which is expected to be implemented in stages. With the signing of these agreements, there was also a respite on the other warfronts.

Unitronics (1989) (R"G) Ltd.
Notes to the Consolidated Financial Statements

Note 1 – General (Cont.)

D. The consequences of the "Iron Swords" War on the Company (Cont.)

During the entire period of the fighting all of the systems of the Company operated normally and there is no material direct effect of the war on the activities of the Company. Among other things, due to global activity, as of the date of the publication of the report, there is no certainty that this will indeed be the case if the war is renewed and the consequences thereof worsen.

Note 2 – Accounting policies

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

A. Basis of presentation of the financial statements

These financial statements have been prepared in accordance with IFRS Accounting Standards. Furthermore, the financial statements have been prepared in conformity with the disclosure requirements of the Israel Securities Regulations (Annual Financial Statements), 2010.

Consolidated Financial Statements

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control is achieved when the Company has influence in the investment entity, exposure or rights to variable returns as a result of its involvement in the investment entity as well as its ability to use its power to influence the amount of the yield which will result from the investment entity. A control examination takes into account the influence of the voting rights only if they are concrete. The consolidation of the financial statements takes place as of the date on which control is obtained, until the date on which control is terminated.

B. Assumptions and estimates

The preparation of the financial statements requires management to make estimates and assumptions which affect the application of the accounting policies on the reported amounts of assets, liabilities, income and expenses. Changes in accounting estimates are recognized in the period in which the estimate was changed.

The following are the main assumptions made in the financial statements concerning uncertainty as of the reporting date and the critical estimates that were calculated by the Group and for which a material change in the estimates and assumptions may change the value of the assets and liabilities in the financial statements in the following year:

Development costs

Development costs are discounted as an asset in accordance with the accounting policies set forth in section J below. In order to determine the amounts to be discounted as an asset, management estimates, inter alia, the expected cash flows from the asset and the expected benefit period. See also Note 9.

Deferred taxes

Assets (liabilities) in respect of deferred taxes are recognized in accordance with section L below. Calculation of deferred tax assets (liabilities) is based on assumptions, inter alia, of the dates of realization of the temporary differences and the tax rates expected to apply on the dates of realization. See Note 23.

C. Functional currency, presentation currency and foreign currency

1. Functional currency and presentation currency

The financial statements are presented in shekels, the functional currency of the Company, which is the currency that best reflects the economic environment and transactions in which the Company operates.

The functional currency is determined separately for each investee company and in accordance with that currency, the financial situation and the results of the operations of the investee company are measured. When the functional currency of the investee company is different from that of the Company, the investee company comprises foreign activity the financial statements data of which is converted in order to include them in the financial statements of the Company as follows:

Unitronics (1989) (R"G) Ltd.
Notes to the Consolidated Financial Statements

Note -2 – Accounting policies (continued)

C. Functional currency, presentation currency and foreign currency (continued)

- A. Assets and liabilities at each reporting date (including comparative figures) are converted according to the closing rate of exchange of each reporting date.
- B. Revenue and expenses for all periods presented in the statement of profit or loss (including comparative figures) are converted according to the average exchange rates in all of the presented periods; However, in those cases where there were significant fluctuations in the rate of exchange, the revenues and expenses were converted according to the exchange rates on the actual dates of the transactions.
- C. Share capital, capital reserves and other capital movements are converted at the exchange rates on the date on which they were incurred.
- D. The retained earnings were converted based on the opening balance converted according to the exchange rate at that time and relevant additional movements during the period, which are converted as specified in subsection B and C above.
- E. All conversion differences which were created were classified as a separate item in shareholders equity, in the capital reserve "Adjustments deriving from the conversion of the financial statements of foreign operations".

Loans and other monetary balances of the Group with regard to foreign operations, which are not intended to be settled or likely to be repaid in the foreseeable future, are, in substance, a part of the net investment of the Company in foreign operations. The exchange rate differences arising from these items are recognized in other comprehensive income and accumulated as equity.

When the net investment is realized, the conversion differences included in the aforesaid capital reserve are recognized in the statement of profit or loss.

2. Foreign currency transactions, assets and liabilities

Transactions denominated in foreign currency are recorded upon initial recognition according to the exchange rate on the date of the transaction. After initial recognition, financial assets and liabilities denominated in foreign currency are converted into shekels according to the exchange rate on the reporting date. Exchange rate differences are recognized in the statement of profit or loss. Non-monetary assets and liabilities are converted into shekels according to the exchange rate on the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and presented at their fair value are converted into shekels according to the exchange rate on the date on which the fair value is determined.

D. Financial Instruments

1. Financial Assets

A financial asset was recognized when the Company became a party to the contractual provisions of the instrument, while using the accounting on the clearing date of the transaction.

Financial assets have been classified as one of the standard measurement groups below in the standard based on the Company's business model for managing financial assets and based on the contractual cash flow characteristics of the financial asset - financial assets (debt instruments) at amortized cost and financial assets (debt instruments or equity) at fair value through profit or loss.

A. Financial assets at fair value through profit or loss

These assets are initially measured at fair value, and changes in the fair value following initial -recognition are recognized in profit or loss. Transaction costs directly attributable to these assets are recognized in profit or loss at the time they are incurred. This group includes financial assets held for trading.

B. Reduced value debt instruments

Debt instruments, which are held in accordance with a business model the purpose of which is to hold the financial assets in order to secure the contractual cash flows and the contractual terms of these assets, provide entitlement on defined dates to cash flows which are principal and interest payments only, initially measured at fair value plus their directly attributable transaction costs, except for trade receivables that were initially recognized at their transaction price. Following initial recognition, these assets were measured at an amortized cost. Loans and receivables are included in this group. Following initial recognition, loans are presented according to their terms and according to the additional direct transaction costs, using the effective interest method less the provision for impairment. Short-term receivables are presented in accordance with their terms, usually at their nominal value.

Unitronics (1989) (R”G) Ltd.
Notes to the Consolidated Financial Statements

Note -2 – Accounting policies (continued)

D. Financial Instruments (continued)

2. **Financial liabilities**

A financial liability was recognized when the Company became a party to the contractual provisions of the instrument.

Following initial recognition, the accounting treatment of financial liabilities is based on their classification as follows:

A. **Financial liabilities measured at amortized cost**

Following initial recognition, loans and other liabilities are measured based on their terms at cost less directly attributable transaction costs using the effective interest method.

B. **Financial liabilities at fair value through profit or loss**

Financial liabilities measured at fair value through profit or loss include financial liabilities classified as held for trading.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near future. Gains or losses on liabilities held for trading are recognized in profit or loss.

Derivatives are classified as held for trading unless they are designated to be effective hedging instruments.

3. **Disposal of financial instruments**

A. **Financial assets**

A financial asset is discarded from the Statement of Financial Position on the date the transaction is cleared at which time the contractual rights to cash flows from the financial asset have expired or when the Company has transferred the financial asset. A transfer can only be performed by transferring the contractual rights to receive the cash flows from the financial asset or by undertaking a contractual obligation to pay the cash flows to the other party subject to compliance with certain terms.

B. **Financial liabilities**

A financial liability is derecognized when it is settled, namely, the liability has been repaid, canceled or expired. A financial liability is settled when the debtor (the Company) repays the liability by paying in cash, other financial assets, goods or services, or is legally released from the liability.

4. **Impairment of financial assets**

The Company measured credit losses in the amount of the forecasted credit losses during the entire life cycle of the instrument for trade receivables, for other financial instruments the credit risk of which increased significantly from the date of initial recognition of receivable income from construction agreements and from debtors in respect of a lease. Expected credit losses throughout the life cycle of the instrument are the weighted average of credit losses, weighted in accordance with the risks of failure. The Company measured credit losses in the amount of the expected credit losses for a 12-month period for financial instruments the credit risk of which did not increase significantly from the date of initial recognition, with the exception of trade receivables.

At the end of each reporting period, the Company assessed whether the credit risk of a financial instrument has increased significantly from the date of initial recognition by comparing the probability of a default on the reporting date with the probability of a default on the initial recognition date. The Company considers a financial asset to be in default when the debtor is not expected to pay the full debt to the Company or when contractual payments are in arrears of more than 90 days. The Company also assumes that the credit risk of a financial instrument has not increased significantly from the date of initial recognition if the Company determines at the end of the reporting period that there is a low risk of default on the financial instrument, namely, the financial instrument has a low risk of failure, the borrower has a strong ability to fulfill its contractual cash flow obligations in the near term and adverse changes in the financial and business terms in the long term will not necessarily impair the borrower's ability to fulfill the aforesaid obligations.

At the end of each reporting period, the Company assesses whether an asset has been impaired due to credit risk, namely, if an event has occurred which has a detrimental effect on the future cash flows of the asset which is being assessed. The Company erases the total gross book value of a financial asset, in whole or in part, if the Company has no reasonable expectation of the asset being restored. There is no material effect on the financial statements in respect of forecasted credit losses.

Unitronics (1989) (R”G) Ltd.
Notes to the Consolidated Financial Statements

Note -2 – Accounting policies (continued)

E. Inventory

Inventories are measured at the lower of cost or net realizable value. The cost of inventories includes the cost of purchasing the inventory and the costs incurred in bringing the inventories to their current location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion costs and the estimated costs required to make the sale.

The cost of the inventory is determined as follows:

Raw materials and packaging - by the weighted moving average method.

Goods in process - on the basis of average cost, including materials, labor and other direct and indirect manufacturing expenses, less completion costs.

Finished goods - based on average cost including materials, labor and other direct and indirect manufacturing expenses.

The Company periodically reviews the situation of the inventory and its age, and makes provisions for slow moving inventory accordingly.

F. Operating turnover period

The Company's operating turnover period is one year.

G. Treasury shares

The Company's shares held by the Company are measured at the cost of their acquisition and are shown as deducted from the capital of the Company. Any gain or loss arising from the acquisition, sale, issue or cancellation of treasury shares is credited directly to equity.

H. Leases

1. General:

The Company determines at the time of entering into the lease whether the agreement is a lease, or whether it includes a lease, by examining whether the agreement transfers the right to control the use of an identified property for a period of time for a consideration. The Company re-evaluates the fulfilment of the lease only when there is a change in the terms of the agreement.

The Company determines the period of the lease as a period during which the lease cannot be revoked, taking into account also the periods covered by extension (or cancellation) options of the lease period, when it is reasonably certain that the tenant will exercise (not exercise) the option in accordance with the provisions of International Financial Reporting Standard 16 with regard to leases (IFRS 16).

2. The Company as a leaseholder

On the date of commencement of the lease, the Company recognizes in the Statement of Financial Position the right of use of the property and lease obligation for all the leases, except for leases not exceeding 12 months and for leases in which the based property is of a lower value than the value at the beginning of the life thereof, if it was recognized as an expense in the Statement of Income and was classified as cash flows from current operations in the Statement of Cash Flows.

At the start of the lease, the Company measured the lease liability at the current value of the lease payments which have not been paid at that date, discounted by the interest rate embodied in the lease, unless this rate is not easily determinable, then it was measured in accordance with the nominal additional interest rate of the Company on that date. Following the date of the commencement of the lease, the lease liability is measured by increasing the book value in order to reflect interest on the lease liability and reducing the book value in order to reflect the lease payments which have been made.

A user rights asset is measured at the start of the lease at cost, which consists of the initial measurement amount of the lease liability plus any lease payments made on or prior to that date (net of any lease incentives and any initial direct costs incurred). Following the date of the commencement of the lease, the Company measured the cost of the user rights in the property, net of depreciation and impairment losses.

Unitronics (1989) (R"G) Ltd.
Notes to the Consolidated Financial Statements

Note -2 – Accounting policies (continued)

H. Leases (Cont.)

Subsequent to the date of the start of the lease, the lease liability was measured by increasing the book value to reflect the interest on the lease liability; the amortization of the book value in order to reflect the lease payments which have been made; adjustments for the re-measurement of the lease liability;

Subsequent to the date of the start of the lease, the Company measured the user rights in the asset at the cost thereof, net of depreciation and losses of any accumulated impairment, including adjustment for any re-measurement of the aforesaid lease liability.

From the date of the start of the lease, when reducing user rights in the asset, the Company applied the depreciation requirements for fixed assets subject to the following. The Company depreciates the user right-s in the asset over the shorter of the lease term and the useful life of the user rights in the asset.

In the Statement of Financial Position, the user rights and the lease liabilities were presented separately. In the statement of profit or loss and other comprehensive income, the Company presented the depreciation expenses of the user rights in the asset separate from interest expenses for the lease liability. In the statement of cash flows, payments for the principal portion of the lease liability were classified as financing activities and payments for the portion of the interest on the lease liability were classified as current operations. Short-term lease payments which were not included in the measurement of the lease liability were classified as operating activities.

I. Fixed assets

The useful life cycle of fixed assets is as follows:

	%	Mainly %
Buildings	2	
Leasehold improvements	10	
Machinery and equipment	7-33	(mainly 33%)
Motor vehicles	15	
Office furniture and equipment	6-33	(mainly 7%)

Leasehold improvements are depreciated on a straight-line basis over their useful life. In determining the useful life of leasehold improvements, the expiry dates of the related leases also are taken into account.

J. Intangible assets

Research and development

Research costs are charged to profit or loss when incurred. An intangible asset arising from a development or a self-development project is recognized as an asset if the following can be demonstrated: the technological feasibility of completing the intangible asset such that it will be available for use or sale; the Company's intention to complete and use or sell the intangible asset; the ability to use or sell the intangible asset; the manner in which the intangible asset will generates future economic benefits; the existence of the necessary technical, financial and other resources available to complete the intangible asset and the ability to reliably measure the expenses thereof during its development.

The asset is measured at cost and presented less any accumulated amortization and less any accumulated impairment losses. Amortization of the asset starts when the development is completed and the asset is available for use. The asset is amortized over its useful life cycle. Examination of the of impairment is performed annually over the period of the development project.

Other development costs, which do not comply with these conditions are credited to the statement of profit or loss when incurred. Development expenses which were recognized as an expense in the past are not recognized as an expense in a later period. Capitalized development expenses are recognized as an intangible asset and are amortized from the time when the asset is available for use, and calculated using the straight-line method over the useful life cycle of the asset.

Impairment of development assets is accounted for in accordance with the provisions of IAS 36 "Impairment of Asset" (see section K below).

Unitronics (1989) (R"G) Ltd.
Notes to the Consolidated Financial Statements

Note -2 – Accounting policies (continued)

J. Intangible assets (Cont.)

Development assets are depreciated on a straight-line basis throughout the usage lifecycle thereof (5-7 years).

K. Impairment of non-financial assets

The Company evaluates the need for impairment of the book value of all non-financial assets in the statement of financial position, except for inventory, assets deriving from construction agreements and deferred tax assets, when there are signs, as a result of events or changes in circumstances, which indicate that the book value is not recoverable. In cases where the book value of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs.

Impairment losses are recognized in profit or loss.

L. Taxes on income

Current or deferred tax expenses are recognized in profit or loss, except if they relate to items which are credited to other comprehensive income or equity.

1. Current taxes

The current tax liability is determined using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

2. Deferred taxes

Deferred taxes are calculated in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred tax balances are calculated at the tax rate that is expected to apply when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted by the reporting date.

The calculation of deferred taxes does not take into account the taxes that would apply in the case of the realization of investments in investee companies, as long as the sale of investments in the investee companies is not expected in the foreseeable future. In addition, a deferred tax asset with regard to deductible temporary differences deriving from investments in investee companies have only been recognized when the reversal of the temporary difference is expected in the foreseeable future and taxable income is expected, against which the temporary differences can be utilized.

Taxes on income which relate to distribution to shareholders of an equity instrument and to transaction costs of an equity transaction are accounted for pursuant to IAS 12.

Deferred taxes are offset if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

Unitronics (1989) (R"G) Ltd.
Notes to the Consolidated Financial Statements

Note -2 – Accounting policies (continued)

M. Liabilities due to employee benefits

The Group has a number of types of employee benefits:

1. Short-term employee benefits

Short-term employee benefits are benefits that are expected to be wholly settled twelve months prior to the end of the annual reporting period in which the employees provide the related services. These benefits include salaries, vacation days, sick leave, rest pay and employer social security contributions which are recognized as expenses when the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognized when the company has a legal or implied obligation to make such payment for past service rendered by an employee in the past and a reliable estimate of the amount can be made.

2. Post-employment benefits

The plans are normally financed by contributions to insurance companies and pension funds which are classified as defined contribution plans or as defined benefit plans.

The Group has defined contribution plans according to Section 14 of the Severance Pay Law, according to which the Group pays, on a permanent basis, payments without it having any legal or implied obligation to pay additional payments even if the accrued principal is not a sufficient amount to pay all the benefits to the employee relating to the service of the employee during the current period and previous periods. Deposits in defined deposit programs for severance pay pursuant to Section 14 or for savings are recognized as an expense at the time of the deposit to the plan, concurrent with the receiving of work services from the employee.

Furthermore, the Company also operates a defined benefit plan in respect of severance pay pursuant to the Severance Pay Law. According to the Law, employees are entitled to severance pay upon dismissal or retirement. The liability for termination of employment is measured according to the actuarial valuation method of the projected eligibility unit. The actuarial calculations takes into account future salary increases and rates of employee turnover based on the estimated time of payment. The amounts are presented based on discounted projected future cash flows according to the interest rate of index-linked high quality corporate bonds, the repayment date of which is similar to the severance pay liability period.

The Company deposits funds in respect of its severance pay obligation to part of its employees on an ongoing basis in pension funds, insurance companies and severance pay funds (hereinafter: the "Plan Assets"). The Plan Assets are assets held by a long-term employee benefit fund or qualifying insurance policies. The Plan Assets are not available for use by the Group's creditors and they cannot be paid directly to the Group.

The liability for employee benefits shown in the statement of financial position reflects the current value of the defined benefit obligation less the fair value of the Plan Assets.

Re-measurement of the net liability are charged to the other comprehensive income in the period in which they occur.

Unitronics (1989) (R"G) Ltd.
Notes to the Consolidated Financial Statements

Note -2 – Accounting policies (continued)

N. Revenue recognition

The Company recognizes revenue from agreements with customers, as specified below, on the date of the transfer of control of the goods or service to the customer and measures the income in the amount representing the consideration that the Company expects to be entitled to for the same goods or service.

The Company recognizes revenue from the sale of products on the delivery date, since this is the date on which control is transferred to the customer.

The Company recognizes revenue from cloud services and maintenance throughout the agreement period with the customer.

Deferred income, which represents a contractual obligation, represents unrecognized payments collected for cloud and maintenance services. Deferred income is recognized when the Company fulfills and executes the agreement.

Current discounts to customers are included in the financial statements on the granting thereof and are charged to the revenue section.

O. Earnings (loss) per share

Earnings (loss) per share are calculated according to the number of ordinary shares. Basic earnings per share includes only shares that actually exist during the period. Potential ordinary shares (convertible securities such as option warrants) are included only in the calculation diluted earnings per share, in the event that their effect dilutes the earnings per share such that their conversion reduces earnings per share or increases the loss per share. In addition, potential ordinary shares which were converted during the period are included in the diluted earnings per share only till the date of the conversion, and from that date the shares issued as a result of the conversion are included in basic earnings per share. The Company's share in the profits of investee companies is calculated according to the share of the Company in the earnings per share of the investee companies multiplied by the number of shares held by the Company.

P. Provisions

A provision in accordance with IAS 37 is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, for which it is probable that the use of financial resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects part or all of the expense to be reimbursed to the Company, such as in an insurance agreement, the reimbursement is recognized as a separate asset only on the date when the reimbursement is actually certain. The expense will be recognized in the statement of profit or loss net of any reimbursement of expenses.

Unitronics (1989) (R”G) Ltd.
Notes to the Consolidated Financial Statements

Note -2 – Accounting policies (continued)

Q. Fair value measurement

Fair value is the price that would be received in the sale of an asset or the price that would be paid to transfer a liability in an ordinary transaction between market participants on the measurement date.

Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best financial interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant forecast inputs and minimizing the use of inputs which cannot be forecast.

All assets and liabilities measured at fair value or for which fair value is disclosed are divided into value category ratings, based on the lowest level input that is significant to the fair value measurement in general:

Level 1 - Quoted prices (without adjustments) in an active market of identical assets and liabilities.

Level 2 - Data other than quoted prices included in Level 1 which can be forecasted either directly or indirectly.

Level 3 - Data that is not based on market data which can be forecasted (valuation techniques without the use of market data which can be forecasted).

R. Share-based payment

The Company recognized share-based payment transactions which include transactions with employees which will be settled with Company equity instruments. The value of the benefit is measured on the date it is granted based on the fair value of the equity instruments granted and recognized in profit or loss, over the vesting period based on the best achievable maturity forecasts of several equity instruments.

S. New standards in the period prior to the application thereof

International Financial Reporting Standard 18, Presentation and Disclosure in Financial Statements (hereinafter: "**IFRS 18**" or the "**New Standard**"):

IFRS 18, published in April 2024, is intended to improve the comparability and transparency of reporting on the performance of companies. The New Standard replaces International Accounting Standard 1, Presentation of Financial Statements and does not deal with issues of recognition and measurement of items in financial statements.

The following is an overview of the main changes that will apply to financial statements with the implementation of the New Standard, in relation to the presentation and disclosure provisions currently applicable:

- The New Standard will change the structure of the Statement of Profit or Loss and will include three new defined categories: operating, investing and financing, and will also add two new interim conclusions: operating profit and profit before financing and income taxes.
- The New Standard includes guidelines for providing disclosure on performance indicators defined by management (management-defined performance measures).
- The New Standard provides guidance on the grouping and splitting of information in financial statements with regards to whether information should be included in the main statements or in the notes, and on disclosures with regard to items defined as “other”.
- The New Standard includes amendments to other standards, including limited amendments to IAS 7, Statement of Cash Flows.

Note -2 – Accounting policies (continued)

IFRS 18 will be applied retrospectively for annual periods beginning on or after 1 January 2027, with specific disclosures as set out in the transitional provisions of the New Standard. Early application of IFRS 18 is permitted with disclosures.

In accordance with the provisions of IFRS 18, early application is possible, subject to disclosure. However, in accordance with Corporate Decision No. 2024-1, with regard to the deferral of early application of International Financial Reporting Standard 18, published by the staff of the Securities Authority on August 4, 2024, early application will be deferred and will only be possible starting from January 1, 2025.

The Company is examining the possible impact of IFRS 18 on the financial statements, but at this stage it is unable to estimate the aforesaid impact.

Note 3 - Cash and cash equivalents

	As of December 31	
	2024	2023
	NIS, (in thousands)	
Israeli currency	431	7,768
Foreign currency	2,246	5,491
	<u>2,677</u>	<u>13,259</u>

Note 4 – Trade receivables, net

	As of December 31	
	2024	2023
Open accounts	26,017	23,224
Less provision for doubtful debts	(50)	(50)
	<u>25,967</u>	<u>23,174</u>

Below is an analysis of trade receivables (open accounts) for which no impairment was recognized (provision for doubtful debts), in accordance with the collection delay in relation to the reporting date:

	Receivables not yet due (without collection arrears)	Past due trade receivables			Total
		Up to 30 days	30 to 60 days	More than 60 days	
		<u>NIS thousands</u>			
December 31, 2024	<u>23,874</u>	<u>1,559</u>	<u>257</u>	<u>277</u>	<u>25,967</u>
December 31, 2023	20,733	1,794	539	108	23,174

Note 5 – Other receivables

	As of December 31	
	2024	2023
	NIS thousands	
Government institutions	1,446	1,349
Prepaid expenses	1,394	1,109
Other receivables *	1,046	947
	<u>3,886</u>	<u>3,405</u>

* The balance includes forfeiture of a bank guarantee during December 2018 in the amount of NIS 665 thousand provided by the Company as part of an agreement between Utron Solutions (related company) and Florentine Quartet Ltd. ("Florentine"). Mutual claims are pending between Utron Solutions and Florentine. Utron Solutions estimates, based on the opinion of legal counsel, that the chances of success are more likely than not, whereas the chances of success of the counterclaim of Florentine is significantly less likely.

Note 6 – Inventories

	As of December 31	
	2024	2023
	<u>NIS thousands</u>	
Materials and Packaging	26,062	27,735
Inventory in process	6,787	5,063
Finished goods	10,851	12,962
	<u>43,700</u>	<u>45,760</u>

The inventory balance includes a provision for inventory impairment in the amount of approximately NIS 2.5 million as of December 31, 2024 and as of December 31, 2023.

Note 7 – Leases**A. Information about lease activities**

1. The Company leases a fleet of vehicles for 3 years.
2. The Company has discounted leasing rights (91%) for 49 years (and an option to extend for an additional 49 years) pursuant to lease agreements dated April 16, 2008 in the structure in which the Company operates in Israel. The extension option was not taken into account in calculating the asset user rights since the Company is not able to estimate as of the date of the report that the probability of the realization thereof is certainly reasonable .
3. During 2021, the Board of Directors of the Company approved an extension of the rental of the building from a controlling shareholder for a period of 3 years, beginning on August 1, 2021. On May 15, 2023, following the approval of the Balance Sheet, Remuneration and Audit Committees as well as the Board of Directors of the Company, the general meeting of shareholders approved entering into a rental agreement which supersedes the current rental agreement for a period of three years from the date of approval of the meeting. For details, see Note 22A.

B. Information about right-of-use assets

	<u>Land rights</u>	<u>Building</u>	<u>Vehicle</u>	<u>Total</u>
	<u>USD thousands</u>			
<u>Cost:</u>				
Balance as of January 1, 2023	23,190	3,587	1,027	27,804
Additions	253	3,026	561	3,840
Removals	-	-	(143)	(143)
Exchange differences	-	18	-	18
Balance as December 31, 2023	23,443	6,631	1,445	31,519
Additions	273	-	404	677
Removals	-	-	(749)	(749)
Exchange differences	-	4	-	4
Balance as of December 31, 2024	<u>23,716</u>	<u>6,635</u>	<u>1,100</u>	<u>31,451</u>
<u>Accrued depreciation:</u>				
Balance as of January 1, 2023	11,069	1,532	283	12,884
Depreciation costs	491	1,545	438	2,474
Removals	-	-	(52)	(52)
Balance as of December 31, 2023	11,560	3,077	669	15,306
Depreciation costs	521	1,658	487	2,666
Removals	-	-	(639)	(639)
Exchange differences	-	(1)	-	(1)
Balance as of December 31, 2024	<u>12,081</u>	<u>4,734</u>	<u>517</u>	<u>17,332</u>
Depreciated balance as of December 31, 2024	<u>11,635</u>	<u>1,901</u>	<u>583</u>	<u>14,119</u>
Depreciated cost as of December 31, 2023	<u>11,883</u>	<u>3,554</u>	<u>776</u>	<u>16,213</u>

Unitronics (1989) (R"G) Ltd.
Notes to the Consolidated Financial Statements

Note 7 – Leases (continued)

C. Lease liabilities

As of December 31, 2024, the balance of liabilities in respect of short-term and long-term leases is in the amount of NIS 2,565 thousand.

With regard to the analysis of contractual lease liability maturity dates - see Note 26 (a) 3.

D. Additional quantitative information about leases

	For year ended December 31. 2024	For year ended December 31, 2023	For year ended December 31, 2022
	NIS thousands		
Interest expenses on lease liabilities	188	225	92
Total cash flow paid for leases	2,303	2,137	1,640

Unitronics (1989) (R”G) Ltd.
Notes to the Consolidated Financial Statements

Note 8 – Fixed assets, net

	<u>Leasehold improvements</u>	<u>Machinery and Equipment</u>	<u>Motor vehicles</u>	<u>Office furniture and Equipment</u>	<u>Total</u>
Composition and movement					
	USD thousands				
Cost					
Balance as at January 1, 2023	2,007	7,800	836	3,209	13,852
Acquisitions and investments in the account year	120	244	259	71	694
Exchange differences	-	-	7	44	51
Balance as at December 31, 2023	2,127	8,044	1,102	3,324	14,597
Acquisitions and investments	277	216	-	89	582
Removals	-	-	(326)	-	(326)
Exchange differences	-	-	4	3	7
Balance as of December 31, 2024	2,404	8,260	780	3,416	14,860
 Accumulated depreciation					
Balance as at January 1, 2023	1,459	6,944	399	2,674	11,476
Amortizations costs	79	435	89	128	731
Exchange differences	-	-	(1)	30	29
Balance as at December 31, 2023	1,538	7,379	487	2,832	12,236
Amortizations costs	96	341	112	125	674
Removals	-	-	(239)	-	(239)
Exchange differences	-	-	(1)	7	6
Balance as of December 31, 2024	1,634	7,720	359	2,964	12,677
 Depreciated cost as at at December 31, 2024	770	540	421	452	2,183
 Depreciated cost as at at December 31, 2023	589	665	615	492	2,361

Unitronics (1989) (R"G) Ltd.
Notes to the Consolidated Financial Statements

Note 9 - Intangible assets, net

	<u>Patents</u>	<u>Software and Licenses</u>	<u>Development costs</u>	<u>Total</u>
Composition and movement				
	<u>NIS (in thousands)</u>			
Cost				
Balance as of January 1, 2023	1,019	1,348	142,558	144,925
Capitalized development costs	-	-	8,788	8,788
Balance as at December 31, 2023	1,019	1,348	151,346	153,713
Capitalized development costs	-	-	10,767	10,767
Acquisitions	-	104	-	104
Balance as of December 31, 2024	1,019	1,452	162,113	164,584
Accumulated depreciation				
Balance as of January 1, 2023	1,000	1,348	100,514	102,862
Amortization	12	-	9,614	9,626
Balance as at December 31, 2023	1,012	1,348	110,128	112,488
Amortization	6	8	10,158	10,172
Balance as at December 31, 2024	1,018	1,356	120,826	122,660
Amortized value as of December 31, 2024	1	96	41,827	41,924
Amortized value as of December 31, 2023	7	-	41,218	41,225

Amortization costs

Amortization costs of intangible assets of development costs are classified in the Statement of Income as part of the cost of revenues.

Note 10 – Loans from banks and others

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
	NIS thousands	
Short-term bank credit	2,500	-
Current maturities of long-term loans from bank and others	193	867
	2,693	867

See Note 12.

Note 11 – Other payables

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
	NIS thousands	
Employees and institutions in respect of salaries	3,400	3,263
Provision for vacation and convalescence	2,556	2,301
Accrued expenses	8,709	10,276
Advance payments	1,730	2,264
Income tax	4,180	7,757
Customer advances	238	842
	20,813	26,703

Unitronics (1989) (R"G) Ltd.
Notes to the Consolidated Financial Statements

Note 12 - Loans from bank and others

A. Composition:

	December 31, 2024	December 31, 2023
	NIS (in thousands)	
Long-term loans from a banking corporation:		
EURO linked loan(1)	158	501
Unlinked loan (2)	-	500
Loan from others	177	210
Less current maturities	(193)	(867)
	<u>142</u>	<u>344</u>

- (1) On July 6, 2011, the Company took a loan from a bank of € 1 million with quarterly principal and interest payments for 14 years and a variable interest rate of 6.64% as of December 31, 2024.
- (2) On March 3, 2019, the Company took a loan from a banking corporation to finance the repayment of the Debentures (Series 5) in a total amount of NIS 10 million for a five-year period with an early repayment option at an interest rate of prime plus less than one percent per annum, with payments of interest and principal on a quarterly basis.

Note 13 – Employee benefit liabilities, net

A. Post-employment benefits:

Labor laws and the Severance Pay Law in Israel require the Company to pay severance pay to an employee upon dismissal or retirement or to make current contributions in defined contribution plans pursuant to section 14 to the Severance Pay Law, as specified below. The Company's liability therefor is accounted for as a post-employment benefit. The calculation of the Company's employee benefit liability is made according to the valid employment agreement based on the employee's salary and employment term which establish the entitlement to receive the severance pay. Post-employment employee benefits are normally financed by contributions classified as defined benefit plans or as defined contribution plan, as specified below.

B. Defined contribution plans:

Section 14 to the Severance Pay Law, 1963 applies to part of the severance pay payments, pursuant to which the fixed contributions paid by the Group into pension funds and/or policies of insurance companies releases the Group from any additional liability to employees for whom the aforesaid contributions are made. These contributions and contributions for savings represent defined contribution plans.

C. Defined benefits plans:

The part of the severance pay payments not covered by deposits in defined contribution plans, as mentioned above, are handled by the Company as defined benefit plans according to which the liability for benefits to employees is recognized, and for which the Company deposits amounts in pension funds and in suitable insurance policies.

Unitronics (1989) (R"G) Ltd.
Notes to the Consolidated Financial Statements

Note 13 – Employee benefit liabilities, net (continued)

D. Plan liabilities, net

	As of December 31,	
	2024	2023
	NIS (in thousands)	
Defined benefit liabilities	6,067	6,058
Fair value of plan assets	(4,517)	(4,183)
Central severance fund	(136)	(125)
Net liabilities	<u>1,414</u>	<u>1,750</u>

Note 14 - Contingent liabilities

A. Contingent liabilities

- The Company received grants from the Chief Scientist of the Ministry of Trade and Industry for participation in research and development programs carried out thereby. The Company is required to pay royalties to the Chief Scientist at rates of 2% to 5% of the amounts received for the sale of the products or knowledge developed under the programs, or from the sale of any rights therein. The royalties are limited to 100% of the grants received. The grants approved for the Company in accordance with the development plan were in the amount of USD 583 thousand, in respect of which the Company paid royalties to the Chief Scientist a total amount of approximately USD 174 thousand as of December 31, 2024. The liability balance as of December 31, 2023 is in the amount of approximately NIS 90 thousand for projects which the management of the Company estimates royalty payments are due.

Unitronics (1989) (R"G) Ltd.
Notes to the Consolidated Financial Statements

Note 15 – Share based payment

- On May 8, 2024, the Board of Directors of the Company, following the approval of the Remuneration Committee, approved the allocation of 400,000 options (non-tradable) exercisable for 400,000 ordinary shares of the Company, to the CEO, officers and other employees of the Company. The options will vest over a period of 4 years in equal parts, starting from the end of the second, third and fourth years from the date of allocation and will be exercisable for a period of 6 years from the date of allocation. The exercise price of each option is NIS 38.89, and the fair value of each option at the date of allocation is NIS 14.68, calculated in accordance with the B&S model using the following indices: a risk-free interest rate of 4.48% on average and a standard deviation of 34.4% on average. The aforesaid allocation the CEO of the Company was approved by the meeting of the shareholders of the Company.
- Below are the number of employee options that have not yet been exercised at the beginning of the period, the weighted average of their exercise price (original exercise price prior adjustment for dividend distributions) and the changes made during the year:

	2024		2023		2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		NIS		NIS		NIS
Balance at the start of the year	141,880	16.06	282,906	14.39	302,202	14.28
Allocated during the year	400,000	38.89	-	-	-	-
Exercised during the year	(58,069)	15.44	(141,026)	12.70	(19,296)	12.70
Balance at the end of the year	483,811	35.01	141,880	16.06	282,906	14.39
Exercisable at the end of the year	70,477		115,212		142,716	

Note 16 - Share Capital

A. Composition:

		Registered	Issued and paid up
		Number of shares	
	As of December 31 2024 and 2023	2024	2023
Ordinary shares of NIS 0.02 par value each	100,000,000	15,619,988	15,578,164

Regarding the exercise of option letters for employees for ordinary shares of the company, see note 15.

- As at December 31, 2024 and 2023, the Company held 1,676,192 shares, representing approximately 10.73% as of December 31, 2024 and approximately 10.76% as of December 31, 2023 of the Company's issued share capital, which was acquired for a total amount of approximately NIS 7,042 thousands.

Note 16 - Share Capital (Cont.)

C. Dividend Distribution policy

On February 23, 2014, the Company's Board of Directors passed a resolution regarding the adoption of a dividend distribution policy, in accordance with which, subject to the decision of the Board of Directors of the Company, the Company will distribute to its shareholders a dividend of 33% of the net profit attributable to the shareholders of the Company based on the Company's annual audited consolidated financial statements (not including earnings deriving from asset revaluation) in excess of the amount of NIS 3 million, and subject to, among other things, the provisions of the law, the financing requirements and the business plans of the Company.

On December 26, 2023, the Board of Directors of the Company decided to amend the dividend distribution policy of the Company, in place of the aforesaid dividend distribution policy. In accordance with the amended policy, the Company will distribute to its shareholders a dividend in the amount of at least 50% of the net profit attributable to the shareholders of the Company in accordance with the consolidated quarterly and/or annual financial statements of the Company (excluding gains resulting from asset revaluation), subject, inter alia, to statutory provisions, financing requirements and the business plans of the Company. The dividend distribution is subject to a resolution of the Company's Board of Directors.

The following are the details of dividend distributions in the past three years:

On August 31, 2022, the Board of Directors of the Company decided to distribute a dividend to the shareholders of the Company in the amount of approximately NIS 1.09 for each one ordinary share of the Company, and a total of NIS 15 million. On September 22, 2022, the dividend was paid in full. See Note 23 d.

On May 30, 2023, the Board of Directors of the Company decided to distribute a dividend to the shareholders of the Company in a total amount of approximately NIS 10 million (approximately NIS 0.72 per share). On June 20, 2023, the dividend was paid in full.

On August 22, 2023, , the Board of Directors of the Company decided to distribute a dividend to the shareholders of the Company in a total amount of NIS 28.5 million (approximately NIS 2.06 per share). On September 21, 2023, the dividend was paid in full.

On December 26, 2023, the Board of Directors of the Company decided to distribute a dividend to the shareholders of the Company in a total amount of NIS 10 million (approximately NIS 0.72 per share). On January 23, 2024, the dividend was paid in full.

On May 8, 2024, the Board of Directors of the Company decided to distribute a dividend to the shareholders of the Company in a total amount of NIS 16 million (approximately NIS 1.15 per share). On June 16, 2024, the dividend was paid in full.

On August 14, 2024, the Board of Directors of the Company decided to distribute a dividend to the shareholders of the Company in a total amount of NIS 8 million (approximately NIS 0.57 per share). On September 19, 2024, the dividend was paid in full.

With regard to taxes due to a distributed dividend, see note 23 D.

Unitronics (1989) (R"G) Ltd.
Notes to the Consolidated Financial Statements

Note 16 - Share Capital (continued)

D. Managing the Company's capital

The object of the Company in managing its shareholders' equity is to maintain the Company's ability to ensure continuity of business and thereby create a return for its shareholders, investors and other interested parties.

The Company is working to achieve a return on capital at a level acceptable in the segment and in the field of operations in the markets in which the Company operates. This return is be subject to changes according to market factors in the segment and in the Company's business environment. The Company is not subject to any demands regarding attaining a specific return on equity.

- E. On May 18, 2016 an investment transaction in the Company and the acquisition of the shares of the Company from Mr. Haim Shani (the controlling shareholder of the Company up to this date) was concluded by the FIMI Fund (hereinafter: "FIMI"), in which as of this date the Company is held under the joint control of the FIMI Fund and Mr. Haim Shani, holding approximately 49.99% and approximately 22%, respectively, of the issued and paid-up share capital of the Company.

On February 5, 2024, a partial off-exchange sale (through a third-party distributor) of the holdings of the controlling shareholders in the Company, FIMI Fund and Mr. Haim Shani (hereinafter: the "Transaction") was completed, such that following the transaction, FIMI Fund and Mr. Haim Shani remain the controlling shareholders in the Company and hold 31.52% and 13.82% of the shares of the Company, respectively. The aforesaid sale was made primarily to Y.D. Mor Investments Ltd., the holdings of which upon completion of the transaction were 22.43%, which then made them an interested party in the Company. As part of the notice given to the Company with regard to the transaction, FIMI Fund and Mr. Shani specified that they have undertaken to the aforesaid distributor that, as of February 4, 2024 and for a period of nine months, they would not sell additional shares of the Company. It should be clarified that the aforesaid undertaking was made to the distributor and not made to the Company and/or all of its shareholders.

As of December 31, 2024, the holdings of FIMI Fund were 31.45% and Mr. Haim Shani's were 13.79%.

In addition, as part of the aforesaid investment agreement, the Company granted FIMI a share option letter for 8 years stating that if the conditions set forth in the investment agreement are fulfilled, the Company shall allocate to FIMI up to 535,714 additional shares (hereinafter: the "Additional Shares"), for no additional consideration.

The Company split the package that was issued to FIMI Fund and attributed part of the amount to the option letter, which constitutes a derivative instrument, whereas the difference between the gross consideration and the option value was attributed to the component of the shares which were allocated to FIMI.

On May 17, 2024, the option granted to FIMI Fund to receive the aforesaid additional shares expired. Upon expiration of the option, a profit in the second quarter of the reporting year in the amount of NIS 6,321 thousand was charged to the Statement of Profit or Loss.

Unitronics (1989) (R"G) Ltd.
Notes to the Consolidated Financial Statements

Note 17 - Cost of revenues

	For the year ended December 31,		
	2024	2023	2022
	NIS (in thousands)		
Materials and subcontractors	66,433	88,064	60,350
Payroll and related benefits	12,508	13,446	10,421
Changes in inventories in process and finished goods	387	(8,907)	551
Depreciation and amortization	11,716	10,965	9,886
Building management company costs	597	542	480
Other expenses	2,313	1,986	1,746
	<u>93,354</u>	<u>106,096</u>	<u>83,434</u>

Note 18 - Development expenses, net

	For the year ended December 31		
	2024	2023	2022
	NIS thousands		
Salaries and related benefits	11,298	9,622	8,594
Subcontractors	2,464	2,096	2,704
Others	1,782	1,541	1,564
Less - expenses capitalized to Intangible assets	(10,767)	(8,788)	(9,426)
	<u>4,777</u>	<u>4,471</u>	<u>3,436</u>

Note 19 – Sales and marketing expenses

	For the year ended December 31		
	2024	2023	2022
	NIS thousands		
Salaries and related benefits	21,236	21,419	17,317
Commissions and export expenses	5,981	8,282	6,742
Exhibitions, advertising and other expenses	6,138	5,496	4,979
	<u>33,355</u>	<u>35,197</u>	<u>29,038</u>

Note 20 - General and administrative expenses

	For the year ended December 31		
	2024	2023	2022
	NIS thousands		
Salaries and related benefits	8,626	8,195	7,388
Office maintenance and communication	2,463	2,194	2,078
Depreciation and amortization	639	596	520
Professional services	1,494	1,444	1,302
Other expenses	2,433	2,371	1,931
	<u>15,655</u>	<u>14,773</u>	<u>13,219</u>

Unitronics (1989) (R"G) Ltd.
Notes to the Consolidated Financial Statements

Note 21 - Financing income and expenses

	For the year ended December 31,		
	2024	2023	2022
	NIS thousands		
A. <u>Financing income</u>			
Profit from hedge transactions, net	632	-	218
Interest profit from related companies	301	-	-
Exchange rate difference net profit	-	788	745
Interest from banks in respect of deposits	35	-	-
	<u>968</u>	<u>788</u>	<u>963</u>
B. <u>Financing expenses</u>			
Loss from hedging transactions, net	-	1,159	-
Loss, net, from differences in exchange rates	288	-	-
Loan interest	307	131	162
Interest costs in respect of lease liabilities	188	225	92
Others	465	805	388
	<u>1,248</u>	<u>2,320</u>	<u>642</u>
C. <u>Classification of financing income (expenses) according to financial instruments</u>			
Financial assets measured at fair value through profit or loss	<u>632</u>	<u>(1,159)</u>	<u>218</u>
Financial liabilities measured at fair value through profit or loss	<u>6,907</u>	<u>2,451</u>	<u>(3,336)</u>

Unitronics (1989) (R"G) Ltd.
Notes to the Consolidated Financial Statements

Note 22 - Interested and related parties

A. Transactions with interested and related parties

	For the year ended December 31,		
	2024	2023	2022
	NIS thousands		
Salaries and related benefits ⁽¹⁾	923	967	850
Bonus to interested parties ⁽²⁾	2,283	2,509	2,286
Salary of the Joint Active Chairmans of the Board of Directors ⁽³⁾	2,232	2,180	2,077
Salaries of other directors ⁽⁴⁾	388	338	366
Rental expenses and management fees ⁽⁵⁾	1,726	1,584	1,283
Number of salary and benefit recipients	1	1	1
Number of Chairman of the Board of Directors salary recipients	2	2	2
Number of recipients of other directors salaries	7	6	6

- (1) The salaries and fringe benefits of Mr. Amit Harari, the CEO of the Company.
- (2) The bonus of the interested parties includes a payment for Mr. Amit Ben Zvi and a bonus for Mr. Haim Shani, the Joint Active Chairmans of the Board of Directors of the Company as well as a bonus for Mr. Amit Harari.
- (3) The remuneration of the Joint Chairmans of the Board of Directors includes remuneration for the services of Mr. Amit Ben Zvi and the remuneration of Mr. Haim Shani.
- (4) The remuneration of other directors includes director fees, including directors who served in office for part of the period.
- (5) On May 12, 2021, the Board of Directors of the Company approved the extension of a rental with a company controlled by Mr. Haim Shani (the Active Chairman of the Board of Directors of the Company and the controlling shareholder thereof jointly with the Fimi Fund) and Ms. Bareket Shani, the wife of Mr. Shani, for a period of three years starting on August 1, 2021.

On May 15, 2023, following the approval of the Balance Sheet Committee, the Remuneration Committee and the Board of Directors of the Company, the general meeting of the shareholders approved entering into a rental agreement which supersedes the current agreement for a period of three years from the date of the approval of the general meeting. In accordance with the aforesaid decision, the Company will be entitled to reduce the rented area or re-increase the area up to a total of 1,600 square meters (provided that the rental area in the current agreement does not decrease below a total of 1,022 square meters, the area rented in the current agreement), and to increase the number of parking spaces available thereto in the rented area up to - 60 spaces and re-reduce the number (provided that it is not less than 30 parking spaces, the number in the current agreement) without amending the price per square meter/per parking or any other terms of the rental terms, whereby the reduction or re-increase will be performed at the sole discretion of the management, only in accordance with the needs of the Company. In accordance therewith, the Company entered into a new rental agreement for three years in accordance with which rented area increased in relation to the previous agreement by 257 square meters (a total of 1,279 square meters) and 6 parking spaces were added (a total of 36).

Unitronics (1989) (R"G) Ltd.
Notes to the Consolidated Financial Statements

Note 22 - Interested and related parties (Cont.)

A. Transactions with interested and related parties (continued)

On the date of the completion of the Spinoff, the Company entered into agreements with Utron for the provision of services for 5 years and sales by the Company to Utron and for the provision of services by Utron to the Company for 5 years, as specified below.

Following a number of personnel changes in the Company and in Utron, the parties reached an agreement in 2020 and 2021 with regard to a reduction of services and certain payments provided under the aforesaid services agreements and for the amendment of the deriving results of those agreements.

In March 2024, the Board of Directors of the Company, following the additional reduction of certain services and payments provided under the service agreements, approved the renewal of the aforesaid agreements between the Company and Utron for the provision of services from the Company to Utron and for the provision of services by Utron to the Company, and to extend them for an additional period of 3 years from their termination date.

The aforesaid agreements between the Company and Utron are as follows:

- (1) An agreement for the provision of services to Utron by the Company for five years, with each party having the right to terminate the agreement with prior written notice of ninety days. Under the services agreement, Services will be provided to Utron by the Company, without there being an employer-employee relationship between Utron and the Company and anyone on behalf thereof. The amount of the consideration to the Company in 2024 is approximately NIS 182 thousand and in 2023 and 2022 approximately NIS 311 thousand each year.
- (2) An agreement for the provision of services to the Company by Utron with each party having the right to terminate the agreement with prior written notice of ninety days. Under the services agreement, services will be provided to Utron by the Company, without there being an employer-employee relationship between Utron and the Company and anyone on behalf thereof. The amount Utron billed the Company in 2024 was approximately 869 thousand, and in 2022 and 2023 approximately NIS 918 thousand each year.
- (3) An agreement for the provision of services, including employees of Unitronics Inc. to Utron Systems (subsidiary of Utron operating in the United States) with each party having the right to terminate right the agreement with prior written notice of ninety days. The billing amount of Unitronics Inc. to Utron Systems in 2024, 2023 and 2022 was approximately USD 68 thousand, approximately USD 246 thousand and approximately USD 242 thousand, respectively.
- (4) An acquisition agreement, in accordance with which Utron and Utron Solutions will from time to time acquire in accordance with the needs thereof, products manufactured by the company in accordance with a fixed and known price list in accordance with which the Group sells these same products to the distributors thereof. The aforesaid agreement will be valid for a period of 10 years, with each party having the right to terminate the agreement with prior written notice of ninety days. The total sales of the Company to Utron and Utron Solutions in 2024, 2023 and 2022 totaled approximately NIS 1,029, approximately NIS 976 thousand and approximately USD 857 thousand, respectively.
- (5) A rental agreement in accordance with which Utron will lease to the Company under a sublease in the building in which it is located in Airport City, with an area of 220.5 square meters at the same cost which Utron pays to the lessor plus overhead costs, and a total amount of approximately NIS 160 thousand per year. The aforesaid agreement is a back-to-back (BTB) agreement with Utron's agreement with the lessor.

During the third quarter of the year, the Company, with the approval of the Board of Directors of the Company, following the approval of the Audit Committee as a non-extraordinary transaction, updated its credit policy with respect to Utron and accordingly the repayment schedule with respect to its debt balance of approximately NIS 5.7 million, such that the aforesaid debt will be repaid in 32 monthly payments of approximately NIS 100 thousand in 2024 and approximately NIS 200 thousand starting in 2025 and will bear annual interest of prime + 0.4%.

On November 20, 2024, the Audit Committee and the Board of Directors of the Company approved, subject to the approval of the general meeting, a transaction agreement for the sale of dedicated developments, developed for the systems of Utron, a company controlled by the controlling shareholders of the Company, the FIMI Fund and Mr. Haim Shani, for a total amount of approximately NIS 2,221 thousand to be paid in 6 equal quarterly payments starting from the end of the first quarter of 2025. On December 29, 2024, the transaction was approved by the general meeting of the Company, and upon completion, the consideration was included in the 2024 revenue of the Company.

The balances of the related companies in the Statement of Financial Position are a product of the aforesaid agreements.

Unitronics (1989) (R"G) Ltd.
Notes to the Consolidated Financial Statements

Note 22 - Interested and related parties (Cont.)

B. Officers Insurance

On May 8, 2024, the Board of Directors of the Company approved the renewal of the insurance policy for directors and officers of the Company for a period of 12 months from June 1, 2024 to May 31, 2025 and in accordance with the Remuneration Policy of the Company, for all directors and officers in the Company (for those that are not controlling shareholders in the Company as well as for those who are controlling shareholders in the Company, or relatives thereof, with a coverage limit of up to USD 7.5 million.

- C. The general meeting approved indemnity and exemption of the Company's office holders as may be appointed from time to time, and/or those serving in another company (excluding office holders which are controlling shareholders of the Company) pursuant to the provisions of the Indemnity Letter and the granting of Indemnity Letters to such Office Holders. In addition, on June 19, 2024, the general meeting approved a letter of indemnity and exemption for Mr. Haim Shani, the controlling shareholder of the Company jointly with the FIMI Fund, and his wife, Ms. Bareket Shani, as well as Mr. Gilon Beck and Amit Ben Zvi, directors of the Company on behalf of the FIMI Fund, the controlling shareholder of the Company jointly with Haim Shani, for a period of 3 years starting on June 21, 2024 (from the expiration of the current letters of indemnity and exemption).
- D. On May 16, 2019, the General Meeting approved the term of office of Mr. Amit Harari, as CEO of the Company, as of April 1, 2019 and also approved the appointment of Mr. Haim Shani as an active Joint Chairman of the Board of Directors (Mr. Shani is a controlling shareholder [jointly with the FIMI fund]) and the employment agreement for a period of three additional years beginning on April 1, 2019. In accordance with the employment agreement, the monthly salary thereof will be NIS 60,000, linked to the consumer price index in a manner such that, starting in January 2012 and at the beginning of each year, an amount equal to the percentage change in the consumer price index for the past year is added to the salary thereof. In addition, in accordance with the employment agreement, Mr. Shani is entitled to an annual bonus at a rate of 7.5% of the pre-tax profit for each year. The bonus is subject to a cap of NIS 1.14 million, linked to the known consumer price index on May 9, 2016, calculated each year anew (and not cumulatively), without taking losses into account, and will be paid within 30 days of the date of approval of the financial statements by the Company's Board of Directors for each calendar year, and affirmation by the Company's Compensation Committee that the aforesaid terms are consistent with the Company's Compensation Policy and the terms of the employment agreement. On May 17, 2022, the general meeting ratified the employment agreement of Mr. Haim Shani for a period of three additional years, beginning on April 1, 2022.
- E. As part of the FIMI Fund investment transaction in the Company, Mr. Amit Ben Zvi was appointed to serve as an active salaried Joint Chairman of the Board of Directors. Starting from the transaction closing date, Mr. Ben -Zvi is entitled, for his service as an active Joint Chairman of the Board of Directors of the Company, to annual remuneration equal to 55% of the employer cost of Mr. Haim Shani plus VAT and expense reimbursement. The remuneration is paid to the FIMI Fund for the services of Mr. Ben Zvi on a quarterly basis, for the services provided to the Company for the previous calendar quarter. On May 17, 2022, the General Meeting ratified the remuneration under the same terms to Mr. Ben Zvi for an additional three years, starting April 1, 2022.
- F. The Company entered into an agreement with PCB Technologies Ltd. and its subsidiary (hereinafter: "PCB"), the controlling shareholder of which is the FIMI Fund, for the subcontracting of printed circuit board assembly services and for the acquisition of printed circuit boards. The agreement is for a period of one year and is automatically renewed unless one of the parties has notified in advance of its termination. On May 15, 2023, the general meeting of the Company approved the continuation of the agreement with PCB for a period of three years from the date of the approval of the general meeting, in annual volumes of up to 12% of the total cost of sales or NIS 10 million, in accordance with the higher of the two. The volume of acquisitions of the Company from the supplier in 2024, 2023 and 2022 amounted to NIS 5,963, thousand, NIS 7,016 thousand and NIS 7,298 thousand, respectively.

Note 23 - Income taxes

A. The tax rates applicable to the company

Amendment 71 to the Capital Investment Encouragement Law (hereinafter: the "Law") provides for a tax rate on preferred income from a preferred enterprise of 16% (excluding Area A). The amendment also provides that if a dividend is distributed to an individual or foreign resident of the profits of a preferred enterprise as stated above, a tax rate of 20% will apply. Amendment 73 of the Law provides a unique tax benefit track for a "preferred technological enterprise" whereby a tax rate of 12% applies (excluding Area A).

The Company notified the Tax Authority regarding transition to the application of the amendment starting from 2017.

The Company management estimates that the Company is eligible for preferred income benefits from a preferred technological enterprise.

The corporate tax rate in Israel as of January 1, 2018 is 23%.

- B. The company has tax assessments that are considered final until and including 2019.

Unitronics (1989) (R"G) Ltd.
Notes to the Consolidated Financial Statements

Note 23 - Income taxes (Cont.)

C. Industrial company

The Company is an "industrial company" pursuant to the Encouragement of Industry (Taxation) Law, 1969 with respect to the product segment. According to this status and pursuant to the regulations published thereunder, the Company is entitled to claim a deduction of accelerated depreciation on equipment used in industrial activities, as determined in the regulations issued under the Inflation Adjustments Law. The Company is also entitled to amortize a patent or rights to use a patent or intellectual property which is used in the development or advancement of the enterprise, to deduct issuance expenses for shares listed for trading on the stock exchange as well as to file consolidated financial statements under certain conditions.

D. Approved Enterprise/Beneficiary Enterprise

Until the end of 2016, the Company was on the track of an Approved Enterprise / Beneficiary Enterprise pursuant to the Encouragement of Capital Investments Law, 1959 (hereinafter: the "Encouragement of Capital Investments Law").

On November 15, 2021, Amendment 74 to the Encouragement of Capital Investment Law was published as part of the Economic Efficiency Law (Legislative Amendments For Attaining Budgetary Objectives for the 2021 and 2022), in accordance with which the Company will be obliged to perform a pro rata distribution of its exempt profits (if any is held thereby on the date of the distribution) in a distribution situation (as such term is defined in the law), in accordance with the provisions of the law and the determined terms.

The Company recorded tax expenses in the amount of approximately NIS 946 thousand, approximately NIS 3,780 thousand and approximately NIS 1,332 thousand in 2024, 2023 and 2022, respectively, for dividends distributed following the coming into effect of the law.

The balance of the profits of an approved/beneficiary enterprise, which have not yet been distributed and for which no obligation was recorded as of December 31, 2024, is approximately NIS 10.3 million. If a dividend is distributed from these profits, the Company will be taxed at the rate of 23% and the recipients of the dividend will be taxed at the rate of 15%.

E. Unitronics Inc. is taxed under U.S. tax law, whereby the federal tax rate applicable thereto is 21%. Furthermore, Unitronics Inc is liable for state taxes at different rates (depending on the state in which the product is sold), whereby this amount is considered an expense for federal tax purposes.

F. Unitronics GMBH is taxed in accordance with German tax law, wherein the total tax rate applicable thereto is 31.825%.

G. Spinoff

On November 28, 2018, the Company received a tax decision from the Tax Authority, in connection with the Utron Spinoff, including the transfer of Utron Solutions shares from the Company to Utron, whereby the Spinoff and transfer of employees are in accordance with the provisions of Articles 105A (1) (including 105C (A) (1) and (5)) and 103(O) respectively, to the Income Tax Ordinance and Regulations, and are therefore not taxable.

Unitronics (1989) (R"G) Ltd.
Notes to the Consolidated Financial Statements

Note 23 - Income taxes (continued)

H. Deferred taxes:

	<u>Statements of financial position</u>		<u>Statements of income</u>		
	<u>For the year ended December 31,</u>		<u>For the year ended December 31,</u>		
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
	<u>NIS thousands</u>				
<u>Deferred tax liabilities:</u>					
Right-of-use assets	983	1,160	177	(220)	70
Intangible assets	5,028	4,979	(49)	270	(95)
	<u>6,011</u>	<u>6,139</u>	<u>128</u>	<u>50</u>	<u>(25)</u>
<u>Deferred tax assets:</u>					
Property and equipment	11	15	(4)	(4)	(3)
Inventories	223	356	(133)	292	(14)
Financial and other liabilities	26	333	(307)	(318)	(50)
Lease liabilities	314	518	(204)	217	(121)
Employee benefits	463	476	(15)	23	(11)
	<u>1,037</u>	<u>1,698</u>	<u>(663)</u>	<u>210</u>	<u>(199)</u>
Tax income (expenses)			<u>(535)</u>	<u>260</u>	<u>(224)</u>
Deferred tax liabilities, net	<u>4,974</u>	<u>4,441</u>			
<u>Deferred tax liabilities, net presented in the Statement of Financial Position as follows:</u>					
Non-current liabilities	<u>4,974</u>	<u>4,441</u>			

I. The tax on income relates to the other comprehensive income sections:

	<u>Statements of income</u>		
	<u>For the year ended December 31,</u>		
	<u>2024</u>	<u>2023</u>	<u>2022</u>
	<u>NIS thousands</u>		
Profit (loss) from re-measurement for defined benefit plans	<u>2</u>	<u>(20)</u>	<u>(32)</u>

Unitronics (1989) (R"G) Ltd.
Notes to the Consolidated Financial Statements

Note 23 - Income taxes (continued)

J. Income taxes included in profit or loss

	Statements of income		
	For the year ended December 31,		
	2024	2023	2022
	NIS thousands		
Current taxes	6,115	7,348	3,602
Tax expenses (income) for previous years	834	3,752	691
Deferred tax expenses (income), see also Section H above.	535	(260)	224
	<u>7,484</u>	<u>10,840</u>	<u>4,517</u>

K. Theoretical tax

	Statements of income		
	For the year ended December 31,		
	2023	2022	2021
	NIS thousands		
Profit before income taxes	51,192	52,053	23,378
Tax rates	23%	23%	23%
Tax calculated according to statutory tax	<u>11,774</u>	<u>11,972</u>	<u>5,377</u>
Unrecognized expenses and non-taxable income, net	(956)	26	223
Various tax rates for foreign subsidiaries abroad	245	281	59
Tax rate benefit for preferred enterprise	(4,241)	(5,221)	(2,374)
Taxes for previous years (mainly in connection with declared dividends)	845	3,752	691
Utilization of losses carried forward for which no deferred taxes have arisen	-	-	348
Other differences	(183)	30	193
Income taxes	<u>7,484</u>	<u>10,840</u>	<u>4,517</u>

Note 24 - Income

A. Income according to geographic areas:

	Statements of income		
	For the year ended December 31,		
	2024	2023	2022
	NIS thousands		
Israel	10,566	10,213	8,936
Europe	59,428	77,782	55,407
Unites States	100,363	99,095	72,822
Others ⁽¹⁾	21,879	24,581	18,355
Total revenues	<u>192,236</u>	<u>211,671</u>	<u>155,520</u>

- (1) Including income from several countries, wherein the income from one country does not exceed 2% of the total revenues of the Company.

Unitronics (1989) (R"G) Ltd.
Notes to the Consolidated Financial Statements

Note 24 – Income (continued)

B. Revenues by products

	For the year ended December 31,		
	2024	2023	2022
	NIS thousands		
PLC's and expansion units	183,969	199,635	144,673
Others	8,267	12,036	10,847
Total revenues	192,236	211,671	155,520

Note 25 – Profit per share

	For the year ended December 31,		
	2023	2022	2021
	NIS thousands		
Net income used to calculate the basic earnings per share (NIS thousands)	43,708	41,213	18,861
Impact on income assuming conversion of options (NIS thousands)	(6,907)	(2,149)	-
Net income used to calculate the diluted earnings per share (NIS thousands)	36,801	39,064	18,861
Weighted average of amounts of shares used to calculate the earnings per share (No. of shares)			
Basic	13,943,796	13,901,972	13,806,393
Weighted average number of ordinary shares used in the calculation of the basic earnings per share	13,922,884	13,834,849	13,801,585
With the addition of options	281,620	608,063	120,154
Adjusted weighted average of number of ordinary shares used to calculate the diluted earnings per share	14,204,504	14,442,912	13,921,739

Unitronics (1989) (R"G) Ltd.
Notes to the Consolidated Financial Statements

Note 26 - Financial instruments

A. Financial Risk factors

The Company's operations expose it to various financial risks such as market risks (currency risk and interest risk) credit risks and liquidity risks. The risk management program of the Company focuses on actions to reduce to a minimum the possible negative effects on the Company's financial transactions.

Risk management is performed by the Company's management under the supervision of the Board of Directors.

1. Market Risks

Currency risks

Most of the sales of the Company in the automated solutions segment are denominated in or linked to the US dollar or the Euro. Changes in the rates of exchange of the dollar against the shekel and of the Euro against the shekel, mainly during the period between the signing of the agreements and the payment thereof, are likely to create an exposure for the Company.

The Company has loans in Euro, and therefore changes in the rate of exchange of the Euro against the NIS could create an exposure for the Company.

Interest risks

The Company has loans denominated in Euro, with a variable prime interest spread. Changes in the rates of interest could affect the Company's business results.

2. Credit Risks

The Company does not anticipate material credit risks in respect of trade account receivables, deposits and other account receivables.

3. Liquidity risks

The liquidity risk is the risk that the Company will not be able to fulfill its financial obligations when they fall due. The Company's approach to manage its liquidity risk is to ensure, as far as possible, a sufficient level of liquidity to fulfill its obligations in due time.

The Company operates in order to enable the existence of sufficient levels of liquid means to pay the expected operating expenses and amounts required to fulfill its financial obligations. The aforesaid does not take into account the potential effect of extreme scenarios which cannot reasonably be expected.

The following table presents the maturity dates of the financial liabilities of the Company according to the terms thereof, in non-material amounts (including interest payments):

As of December 31, 2024:

	<u>Book</u>	<u>Up to</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>	<u>5th year</u>	<u>Total</u>
	<u>Value</u>	<u>1</u>	<u>year</u>	<u>year</u>	<u>year</u>	<u>and</u>	<u>expected</u>
		<u>year</u>				<u>thereafter</u>	<u>cash flow</u>
<u>NIS thousands</u>							
Trade payables	19,289	19,289	-	-	-	-	19,289
Other payables	12,017	12,017	-	-	-	-	12,017
Loans from a banking corporation and others	2,837	2,708	148	-	-	-	2,856
Lease liabilities	2,566	1,999	611	68	-	-	2,678
	<u>36,709</u>	<u>36,013</u>	<u>759</u>	<u>68</u>	<u>-</u>	<u>-</u>	<u>36,840</u>

Unitronics (1989) (R”G) Ltd.
Notes to the Consolidated Financial Statements

Note 26 - Financial instruments (Cont.)

As of December 31, 2023:

[illegible]

B. Fair value

The balance in the financial statements of cash, customers, receivables and payable balances, suppliers and service provider liabilities, loans from banks, payables and credit balances and option warrants corresponds or is close to the fair value thereof.

C. Classification of financial instruments at fair value rating

Liability for option warrants is measured in accordance with level 3 as specified below.

Level 3: Data which is not based on forecastable market data (valuation techniques with out the use of un-forecastable market data)

D. Valuation techniques in respect of fair value measurements are classified at Level 3 – option warrant liabilities

As part of the 2016 FIMI investment agreement, the Company granted FIMI a notice of rights for 8 years to receive shares pursuant to which if the the terms specified in the investment agreement are fulfilled, the Company will allocate to FIMI up to an additional 535,714 shares, with no additional consideration.

The entitlement of FIMI to additional shares of the Company will depend on the total consideration which FIMI will receive from the sale of its holdings of the Company's shares and the shares of Utron. In light of the number of variables affecting the value of the option warrants the "Monte Carlo" model will be used.

The fair value of the liability for option warrants, for which there is no quoted market price, is determined in each reporting period on the basis of an economic model in the valuation of an external assessor.

The future value of the additional shares was calculated by multiplying (a) the total number of shares received by FIMI at - (b) the future value of the share and the - (c) the probability of the future value of the share.

The figure used to measure the fair value which is unforecastable is the standard deviation

The fair value of the additional shares was calculated by discounting the future value at risk-free interest on the date of the calculation.

The fair value of the price adjustment mechanism is the forecasted future value of the additional shares allocated to FIMI (if allocated) discounted as of the date of the calculation, wherein the number of shares allocated to FIMI will be derived from the consideration received by FIMI upon the date of the sale of all its holdings in the Company's shares and the shares of Utron.

Unitronics (1989) (R"G) Ltd.
Notes to the Consolidated Financial Statements

Note 26 - Financial instruments (continued)

D. Reconciliation between fair value measurements classified at Level 3 in the fair value rating of financial instruments:

	For the year ended December 31	For the year ended December 31
	<u>2024</u>	<u>2023</u>
	<u>USD thousands</u>	
Liability as of the start of the period	<u>6,907</u>	<u>9,358</u>
Total profit (loss)	<u>6,907</u>	<u>2,451</u>
Liability as of the end of the period	<u>-</u>	<u>6,907</u>

The remaining liability for the option warrants as of December 31, 2023, is in accordance with a valuation by an external appraiser, based on the "Monte Carlo" model. The assumptions in the performance of the valuation:

Unitronics base asset NIS 30.8, Utron base asset NIS 3.69, Unitronics standard deviation 21.25%, Utron standard deviation 39.29%, risk-free interest rate 3.3%, life cycle 4 months.

Unitronics (1989) (R"G) Ltd.
Notes to the Consolidated Financial Statements

Note 26 - Financial instruments (continued)

E. Quantitative information regarding fair value measurements classified as Level 3:

	For the year ended December 31,	
	2024	2023
	<u>Profit (loss) due to the change</u>	
	<u>NIS thousands)</u>	
<u>Sensitivity analyses for changes in the base asset⁽¹⁾:</u>		
10% increase	-	4,545
10% decrease	-	(5,678)
20% increase	-	6,378
20% decrease	-	(8,261)
<u>Sensitivity analyses for changes in the standard deviation⁽¹⁾:</u>		
5% increase	-	(88)
5% decrease	-	163
10% increase	-	(180)
10% decrease	-	209

- (1) When calculating the aforesaid sensitivity tests and the deviation from the standard deviation, the increase/decrease rate which was taken into account is the change in both the shares of the Company and Utron Ltd. was according to the "Monte Carlo" model as specified above.

F. Forward contracts and option warrants

The Company periodically enters into foreign currency forward contracts aimed at hedging part of its cash flow exposure to exchange rate fluctuations. Foreign currency forward contracts are not designated as a hedging instrument, and therefore gains or losses from their measurement are charged to the statement of profit or loss. Forward contracts are for periods of 1 to 12 months.

Unitronics (1989) (R"G) Ltd.
Notes to the Consolidated Financial Statements

Note 26 - Financial instruments (continued)

G. Sensitivity tests for a change in market factors

	For the year ended December 31,	
	2024	2023
	<u>Profit (loss)</u> <u>NIS thousands</u>	
<u>Sensitivity analyses for changes in the USD exchange rate:</u>		
5% increase in the exchange rate	457	289
5% decrease in the exchange rate	(457)	(289)
<u>Sensitivity analyses for changes in the Euro exchange rate:</u>		
5% increase in the exchange rate	354	395
5% decrease in the exchange rate	(354)	(395)

The changes chosen in the relevant risk factors were determined in accordance with management's evaluations regarding possible and reasonable changes in these risk factors.

The Company prepared sensitivity analyses for the main market risk factors, which would affect the result of operations or the reported financial situation. The sensitivity analyses present the profit or loss and/or change in shareholders' equity (before tax) for each financial instrument, for the relevant risk factor chosen therefor, as of each date of report. Examining the risk factors was performed on the basis of the significant exposure of the results of operations or the financial situation for each risk factor relative to the functional currency and on the assumption that all the other factors are fixed.

Note 27 – Events subsequent to the date of the balance sheet

- On March 19, 2025, the Board of Directors of the Company decided to distribute a dividend to the shareholders of the Company in a total amount of NIS 8 million..

Note 28 - Information about investee companies

	Country of incorporation	Shares conferring voting rights	Shares conferring rights to profits
		Holding rate	
		As of December 31, 2024 and December 31, 2023	
Unitronics Inc.	USA	100%	100%
Unitronics GmbH	Germany	100%	100%
Unitronics building management and maintenance (2003) Ltd.	Israel	100%	100%

UNITRONICS (1989) (R"G) LTD

**Financial data from the consolidated financial
statements attributed to the Company**

December 31, 2024

Unitronics (1989) (R.G.) Ltd.

Financial data from the Consolidated Financial Statements attributed to the Company

as of December 31, 2024

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משרד ראשי: בית אמות BDO, דרך מנחם בגין 48, תל אביב, 6618001 דוא"ל: bdo@bdo.co.il בקרו באתר שלנו: www.bdo.co.il

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To the shareholders of Unitronics (1989) (R”G) Lt

Dear Ladies and Sirs

Subject: Auditors’ special report on separate financial information under Regulation 9C to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the separate financial information presented in accordance with regulation 9C of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 of Unitronics (1989) (R”G) Ltd. (hereinafter - the "Company") as of December 31, 2024 and 2023 and for each of the last three years ended December 31, 2024. The separate financial information is in the responsibility of the Company's Board of Directors and Management. Our responsibility is to express an opinion on this separate financial information based on our audit.

We conducted our audits in accordance with auditing standards, generally accepted in Israel. Those standards require that we plan and perform the audit to obtain reasonable assurance that the separate financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the separate financial information. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors

and Management of the Company, as well as evaluating the overall separate financial information presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the separate financial information is prepared, in all material respects, in accordance with regulation 9C of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

Ziv Haft
Certified Public Accountants (Isr.)
BDO Member Firm

Tel Aviv, March 19, 2025

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Unitronics (1989) (R"G) Ltd

Financial data from the Consolidated Statements of Financial Position attributed to the Company

		<u>December 31, 2024</u>	<u>December 31, 2023</u>
	<u>Additional information</u>	<u>NIS, (in thousands)</u>	
<u>Current assets</u>			
Cash and cash equivalents		1,831	11,405
Trade receivables, net		11,447	12,864
Other account receivables		2,699	2,293
Related companies		2,280	667
Other accounts receivable – subsidiaries	E2	5,744	5,026
Inventory		<u>41,848</u>	<u>41,875</u>
		<u>65,849</u>	<u>74,130</u>
<u>Non-current assets</u>			
Other deposits		110	121
Right-of-use assets		14,035	15,930
Related companies		866	-
Fixed assets, net		1,625	1,779
Loans and capital note to subsidiaries less net of surplus liabilities over assets associated with subsidiaries	E2	14,548	11,611
Intangible assets, net		<u>41,924</u>	<u>41,225</u>
		<u>73,108</u>	<u>70,666</u>
		<u>138,957</u>	<u>144,796</u>
<u>Amit Ben Zvi and Haim Shani</u>		<u>Amit Harari</u>	<u>Itzik Hai</u>
Co-Chairmen of the Board of Directors		CEO	CFO

The date of approval of the financial statements: March 19, 2025

The additional information to the financial information forms an integral part thereof.

Unitronics (1989) (R"G) Ltd

Financial data from the Consolidated Statements of Financial Position attributed to the Company

	December 31, 2024	December 31, 2023
Additional information	NIS, (in thousands)	
<u>Current liabilities</u>		
Loans from a banking corporation and others	2,693	867
Trade payables	18,658	24,630
Related company	-	440
Lease liabilities	1,860	1,626
Dividend payable	-	10,000
Other payables	17,825	21,659
Option warrant liabilities	-	6,907
	<u>41,036</u>	<u>66,129</u>
<u>Non-current liabilities</u>		
Loans from a banking corporation and others	142	344
Employee benefit liabilities, net	1,093	1,448
Lease liabilities	613	2,454
Deferred taxes	<u>4,974</u>	<u>4,441</u>
	<u>6,822</u>	<u>8,687</u>
<u>Equity</u>		
Share capital	430	430
Capital reserve for share-based payment	1,751	588
Additional paid-in capital	64,603	64,361
Capital reserve for adjustments deriving from the translation of the financial statements	(1,701)	(1,722)
Treasury shares	(7,042)	(7,042)
Reserve from a transaction with the controlling shareholder	104	104
Retained earnings	<u>32,954</u>	<u>13,261</u>
	<u>91,099</u>	<u>69,980</u>
	<u>138,957</u>	<u>144,796</u>

The additional information to the financial information forms an integral part thereof.

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משרד ראשי: בית אמות BDO, דרך מנחם בגין 48, תל אביב, 6618001 **דואר:** bdo@bdo.co.il **בקר באתר שלנו:** www.bdo.co.il

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Unitronics (1989) (R"G) Ltd

Financial data from the Consolidated Statements of Profit or Loss attributed to the Company

	<u>Additional information</u>	For the year ended December 31,		
		2024	2023	2022
		NIS, (in thousands)		
Revenues		84,068	104,171	76,490
Revenues from subsidiaries	E1	79,774	87,264	55,904
Total revenues		163,842	191,435	132,394
Cost of revenues		91,483	109,105	82,794
Gross profit		72,359	82,330	49,600
Development expenses		4,777	4,471	3,436
Selling and marketing expenses		14,150	14,880	12,410
General and administrative expenses		11,764	11,365	10,175
Other Revenues		70	-	-
General and administrative expenses of subsidiary companies	E1	840	797	738
Profit from ordinary operations		40,898	50,817	22,841
Financing income		803	843	1,039
Financing expenses		1,122	2,275	581
Gain (loss) from revaluation of option warrant liabilities		6,907	2,451	(3,336)
Profit after financing, net		47,486	51,836	19,963
Company share of subsidiary companies' profit (loss)		2,916	(682)	3,036
Profit before income taxes		50,402	51,154	22,999
Income taxes	D7	6,694	9,941	4,138
Net income		43,708	41,213	18,861

The additional information to the financial information forms an integral part thereof.

Unitronics (1989) (R"G) Ltd

Financial data from the Consolidated Statements of Comprehensive Income attributed to the Company

	For the year ended December 31,		
	2024	2023	2022
	NIS, (in thousands)		
Net income attributed to the company's shareholders	43,708	41,213	18,861
Other comprehensive profit (loss) (after tax)			
<u>Items that will not subsequently be reclassified to profit or loss:</u>			
Remeasurement gain (losses) from defined benefit plans	(15)	125	215
<u>Items that will be reclassified to profit or loss in the future if certain conditions are met:</u>			
Adjustments arising from translating financial statements of foreign operations	21	363	1,175
Other comprehensive profit for the year attributed to the Company's shareholders	6	488	1,390
Total comprehensive income for the year attributed to the Company's shareholders	43,714	41,701	20,251

The additional information to the financial information forms an integral part thereof.

Unitronics (1989) (R"G) Ltd

Financial data from the Consolidated Statements of Cash Flows attributed to the Company

	For the year ended December 31,		
	2024	2023	2022
	NIS, (in thousands)		
<u>Cash flows - operating activities</u>			
Net income attributed to the company's shareholders	43,708	41,213	18,861
Adjustments required to reconcile Net income to net cash provided by operating activities (Appendix A)	(6,906)	12,234	5,593
Cash flows net derived from current operations of the Company	36,802	53,447	24,454
Net cash deriving from current operations (used for current operations) in respect of transactions with subsidiaries	(718)	7,215	(6,685)
Cash flows provided by operating activities	36,084	33,621	17,769
<u>Cash flows – investment activities</u>			
Investment in fixed assets	(506)	(635)	(567)
Proceeds from the sale of fixed assets	157	-	-
Investment in right of use assets	(273)	(253)	(169)
Investment in intangible assets	(10,871)	(8,788)	(9,444)
Net cash flows used in investment activities	(11,493)	(9,676)	(10,180)
<u>Cash flows - financing activities</u>			
Repayment of long-term loans	(871)	(2,339)	(3,144)
Receipt of long-term loan from others	-	220	-
Short-term credit from a banking corporation, net	2,500	-	-
Dividends paid	(34,000)	(38,502)	(25,000)
Repayment of lease liabilities	(2,079)	(1,923)	(1,435)
Net cash used in financing activities	(34,450)	(42,544)	(29,579)
Effect of exchange rate changes on cash	285	257	390
Net change in cash and cash equivalents	(9,574)	8,699	(21,600)
Cash and cash equivalents at beginning of year	11,405	2,706	24,306
Cash and cash equivalents at end of year	1,831	11,405	2,706

The additional information to the financial information forms an integral part thereof.

Unitronics (1989) (R"G) Ltd

Financial data from the Consolidated Statements of Cash Flows attributed to the Company

	For the year ended December 31,		
	2024	2023	2022
	NIS, (in thousands)		
<u>Appendix A - Adjustments required to reconcile net income to net cash provided by operating activities</u>			
Company share of losses (profits) of subsidiaries	(2,916)	(682)	(3,036)
Depreciation and amortization	13,207	12,526	11,312
Accrued severance pay, net	(372)	(62)	(29)
Changes in Deferred taxes	535	(259)	224
Revaluation of foreign currency cash balances	(285)	(256)	(390)
Proceeds from the sale of fixed assets	(70)	-	-
Revaluation of long-term loans	(5)	48	64
Stock-based compensation	1,405	148	253
Revaluation of other financial assets	(99)	(152)	19
Revaluation of warrants for share options	(6,907)	(2,451)	3,336
Accrued interest and revaluation in respect of leases	189	214	70
<u>Changes in assets and liabilities:</u>			
Decrease (increase) in trade receivables	1,417	3,123	(4,145)
Decrease (increase) in accounts receivables	(307)	1,475	(1,787)
Decrease (increase) in inventories	27	(3,089)	(11,294)
Increase (decrease) in trade payables	(5,972)	(3,822)	8,814
Increase (decrease) in Related companies, net	(2,919)	(1,399)	200
Increase (decrease) in other accounts payables	(3,834)	5,508	1,982
	(6,906)	12,234	5,593

Appendix B - Additional information on cash flows regarding operating activities

Cash paid during the year for:			
Interest	425	547	246
Income taxes	9,080	7,463	2,262
Cash received during the year for:			
Interest	-	81	-

Appendix C

Entry into new lease agreements	404	3,857	429
Classification of related companies long-term debt	119	-	-
Declaration of a dividend	-	10,000	-

The additional information to the financial information forms an integral part thereof.

Unitronics (1989) (R”G) Ltd

Additional information

A. Details of the separate financial information

1. Principles of Editing Separate Financial Information

The separate financial information of Unitronics (1989) (RG) Ltd. (hereinafter "the Company") includes financial data from the Company's consolidated financial statements, which are attributed to the Company itself as a parent company and are prepared in accordance with Regulation 9C and the 10th Schedule to the Securities Regulations (Periodic and Immediate Reports), 1970.

The accounting policies applied in the separate financial information are the same as the accounting policies set forth in Note 2 to the Company's consolidated financial statements as of December 31, 2024, subject to the foregoing in this section and detailed in Note A2 below.

2. The handling of inter-company transactions

In the separate financial information, transactions between the Company and subsidiaries were recognized and measured and were eliminated in the consolidated financial statements. Recognition and measurement were conducted in accordance with the recognition and measurement principles set out in the international accounting standards (IFRS Accounting Standards) so that these transactions were treated as transactions performed with third parties.

The statements included in the separate financial information presented intercompany balances and income and expenses for intercompany transactions, eliminated in the consolidated financial statements, separate from the "balance for subsidiary companies, net" and "net income for subsidiary companies", such that the equity attributed to the holders of the parent company, the profit (loss) for the period attributed to the holders of the parent company and the total comprehensive profit (loss) for the period attributed to the holders of the parent company based on the consolidated statements of the Company, are the same as the equity attributed to the company itself as the parent company, the profit (loss) for the period attributed to the company itself as the parent company and the total comprehensive profit (loss) for the period attributed to the Company itself as the parent company, respectively, based on the separate financial information of the Company.

Within the cash flow amounts attributed to the Company itself as a parent company the net cash flows for transactions with subsidiaries are presented as part of current operations, investment activities or financing activities, as applicable.

B. Cash attributed to the Company itself as a parent company (excluding amounts in respect of subsidiaries)

	<u>Foreign currency</u>		<u>Israeli currency</u>	
	<u>US Dollar</u>	<u>Euro</u>	<u>Not linked NIS, (in thousands)</u>	<u>Total</u>
<u>As of December 31, 2024:</u>				
Cash and cash equivalents	544	375	912	1,831
<u>As of December 31, 2023:</u>				
Cash and cash equivalents	7,796	449	3,160	24,306

Unitronics (1989) (R"G) Ltd

Additional information

C. Disclosure of financial liabilities attributed to the Company itself as a parent company (excluding amounts in respect of subsidiaries)

Liquidity risk attributed to the parent company

The liquidity risk is the risk that the Company will not be able to meet its financial obligations when they fall due. The Company's approach to management of liquidity risk is to ensure, as far as possible, a sufficient level of liquidity to meet its obligations in due time.

The Company operates in order to enable the existence of sufficient levels of liquid means to pay the expected operating expenses and amounts required to meet its financial obligations. This does not take into account the potential effect of extreme scenarios where there is no reasonable possibility of expecting them.

The following table presents the contractual maturity dates of the financial liabilities of the Company in undiscounted amounts (including interest payments):

As of December 31, 2024

	Book value	Up to 1 year	2 nd year	3 rd year	4 th year	5 th year and thereafter	Total projected cash flow
<u>NIS thousands</u>							
Trade payables	18,658	18,658	-	-	-	-	18,658
Other payables	9,958	9,958	-	-	-	-	9,958
Loans from a banking corporation and others	2,837	2,708	148	-	-	-	2,856
Lease liabilities	2,473	1,999	611	68	-	-	2,678
	<u>33,926</u>	<u>33,323</u>	<u>759</u>	<u>68</u>	<u>-</u>	<u>-</u>	<u>34,150</u>

As of December 31, 2023

	Book value	Up to 1 year	2 nd year	3 rd year	4 th year	5 th year and thereafter	Total projected cash flow
<u>NIS thousands</u>							
Trade payables	25,070	25,070	-	-	-	-	25,070
Other payables	10,481	10,481	-	-	-	-	10,481
Dividend to be paid	10,000	10,000	-	-	-	-	10,000
Loans from a banking corporation	1,223	916	218	148	-	-	1,282
Lease liabilities	4,080	2,044	1,797	454	-	-	4,295
	<u>50,854</u>	<u>48,511</u>	<u>2,015</u>	<u>602</u>	<u>-</u>	<u>-</u>	<u>51,128</u>

Unitronics (1989) (R"G) Ltd

Additional information

D. Disclosure of taxes on income attributed to the Company

1. Income taxes relating to items of other comprehensive income:

	Statements of income		
	Year ended December 31,		
	2024	2023	2022
	NIS in thousands		
Remeasurement gain (loss) from defined benefit plans	<u>2</u>	<u>(20)</u>	<u>(32)</u>

2. Taxes on income attributed to an affiliated Company in profit or loss:

Current tax	5,224	6,421	3,223
Tax expenses in respect of previous years	935	3,780	691
Deferred tax expenses (income), see Section 5 above.	535	(260)	224
	<u>6,694</u>	<u>9,941</u>	<u>4,138</u>

Unitronics (1989) (R"G) Ltd

Additional information

E. Capital notes, debt balances, transactions and material contracts with investee companies

1. Agreements with investee companies

- a. Unitronics Inc. (hereinafter – "Unitronics Inc.") was established by the Company in 2001 to market, sell and distribute the Company's products and to operate projects in the United States. Unitronics Inc. acquires products and services from the Company and sells these products and services to its customers.
- b. Unitronics Building Management and Maintenance (2003) Ltd. was established by the Company in 2003 and primarily manages and maintains Unitronics House and receives management and maintenance fees for the area used by the Company in Unitronics House.
- c. The Company holds 100% of the capital and control rights in Unitronics GMBH (hereinafter: "Unitronics GMBH"). Unitronics GMBH was established by the Company in 2020 and started operations in October 2020. Unitronics GMBH is mainly engaged in the marketing and distribution of the products of the Company in Europe.

2. Capital notes, guarantees and balances

- a. On December 31, 2007, the Company provided 8 capital notes in the amount of NIS 1 million each to the subsidiary Unitronics Inc. against the current balance. On December 31, 2010 and 2011 the Company provided additional two capital notes in the amount of NIS 1 million each. On December 31, 2012, the Company provided additional two capital notes in the amount of NIS 1 million each. The balance of capital notes as of December 2024 and 2023 amounts to NIS 12 million. The Capital notes are nominated in NIS, not linked, do not bear interest and the maturity date will not be before the end of 5 years from the date they were provided. The repayment of these capital notes will defer to other obligations and will prior only to distribution of assets to shareholders in liquidation.

In addition, there is a current balance of the subsidiary Unitronics Inc. as of December 31, 2024, in the amount of approximately 5,675 thousand NIS (approximately NIS 4,990 thousand as of December 31, 2023).

- b. As of December 31, 2024, there is a current debt balance of Unitronics GMBH to the company in the amount of approximately NIS 69 thousand (a debt balance of approximately NIS 37 thousand as of December 31, 2023).
- c. As of December 31, 2024, there is a current debit balance of Unitronics House Management and Holdings (2003) Ltd, in the amount of approximately NIS 59 thousand NIS (a debit balance of approximately NIS 191 thousand as of December 31, 2023).

Chapter D – Additional Details about the Corporation (Reg. 10A - 29A)

4.1 Summary of Income Statements (Consolidated) for Each of the Quarters of 2024 (NIS Thousands) (Regulation 10A)

	1-3/2024	4-6/2024	7-9/2024	10-12/2024	2024
	NIS thousands				
Income	54,300	52,314	43,153	42,469	192,236
Cost of income	26,841	25,806	21,317	19,990	93,954
Gross profit (gross profit margin)	27,459 (50.6%)	26,508 (50.7%)	21,836 (50.6%)	22,479 (52.9%)	98,282 (51.1%)
Development expenses	1,251	1,174	1,285	1,067	4,777
Sale and marketing expenses	8,824	9,273	7,880	7,378	33,355
General and administrative expenses	3,896	3,935	3,905	3,919	15,655
Other income	-	-	-	70	70
Profit from ordinary activities	13,488	12,126	8,766	10,185	44,565
Financing expenses, net	38	82	113	47	280
Gain from revaluation of option warrant liabilities	586	6,321	-	-	6,907
Profit on income before taxes	14,036	18,365	8,653	10,138	51,192
Taxes on income	1,972	2,642	1,382	1,488	7,484
Profit for the period	12,064	15,723	7,271	8,650	43,708
Comprehensive profit (loss) for the period	205	317	(184)	(332)	6
Total comprehensive profit for the period	12,269	16,040	7,087	8,318	43,714

4.2 List of Investments in Active Subsidiaries and Associates (Reg. 11)

Below are details of the Company's investments in active subsidiaries and associates at the date of the statement of financial position:

Subsidiary	Class of share	No. of shares	Total par value	Value of shares in the financial statement	Utron debit/credit balance and capital note (NIS thousands)
Unitronics Building Management and Maintenance (2003) Ltd.	Ordinary – NIS 1	1,000	NIS 1,000	NIS 1,000	(59)
Unitronics Inc. (foreign company)	Ordinary – USD 0.01	1,000	USD 10	USD 10	5,675
Unitronics GMBH (foreign company)	Ordinary – EUR 1	25,000	EUR 25,000	EUR 25,000	69

Subsidiary	Value in the separate financial statement of the corporation, attached to the Company's financial statements	Percentage of Company's holdings in capital, in voting rights and in the power to appoint directors, out of total issued shares
	NIS in thousands	
Unitronics Building Management and Maintenance (2003) Ltd.	29	100%
Unitronics Inc. (foreign company)	14,025	100%
Unitronics GMBH (foreign company)	494	100%

4.3 Changes in Investments in Active Subsidiaries and in Associates (Reg. 12)

There was no change in the Company's investments in subsidiaries and in associates during the reporting period.

4.4 Revenues of and from Active Subsidiaries and Associates (Reg. 13)

For the year ending December 31, 2024 (USD thousands):

Company name	Pre-tax profit (loss)	Net profit (loss)	Comprehensive income (loss)	Dividend	Dividend subsequent to the date of the Statement of Financial Position	Management fee	Management fee subsequent to the date of the Statement of Financial Position	Interest
Unitronics House Management and Maintenance (2003) Ltd	(80)	(87)	(87)	-	-	-	-	-

Company name	Pre-tax profit (loss)	Net profit (loss)	Comprehensive income (loss)	Dividend	Dividend subsequent to the date of the Statement of Financial Position	Management fee	Management fee subsequent to the date of the Statement of Financial Position	Interest
Unitronics Inc.	710	510	510	-	-	-	-	-
Unitronics GMBH	42	31	31	-	-	-	-	-

4.5 Trading on the Stock Exchange (Reg. 20)

During the reporting year, no securities were listed for trading on the Tel Aviv Stock Exchange Ltd.

During the reporting year trading on the Israel Stock Exchange were not ceased for securities issued by the Company, except for scheduled trading breaks due to the publication of financial statements.

4.6 Remuneration of Interested Parties and Senior Officers (Reg. 21)

4.6.1 Below are details of the payments made by the Company and all payment undertakings (in cash and/or cash equivalents, loans, rights and any other benefit) which the Company took upon itself in the reporting year, as recognized in the financial statements for the reporting year, including with regard to retirement terms, for each of the five officers receiving the highest pay from among the senior officers serving in the Company or a company under its control (the three senior officers with the highest remuneration in the corporation, whose remuneration was provided in connection with their position in the corporation itself, are among the following five officers):

Name	Position	Employment	Corporate capital holding rate as of the report publication date	Salary (NIS thousands)	Bonus (NIS thousands)	Share-based payment (NIS thousands)	Management fees (NIS thousands)	Total (NIS thousands)
Mr. Haim Shani ⁽¹⁾	Joint Active Chairman of the Board of Directors	30%	13.78%	1,440	1,340	-		2,780
Mr. Amit Ben Zvi	Joint Active Chairman of the Board of Directors		-	-	-	-	1,529	1,529
Mr. Amit Harari	CEO of the Company	100%	-	923	205	339		1,467
Mr. Albert Betz	General Manager Unitronics INC	100%	-	880	77	135		1,093
Mr. Itzhak Hai	CFO	100%	-	821	37	220		1,078

- (1) For details of the rent paid by the Company to the Company under the control of Haim Shani and Bareket Shani in respect of the rental of private floors in Unitronics House, see section 1.11.2 in Chapter A of this Periodic Report.

4.6.2 Remuneration policy – On May 17, 2022, following the approval of the Balance Sheet Committee, the Remuneration and Audit Committee (hereinafter: the "**Remuneration Committee**") and the Company's Board of Directors ratified the Remuneration Policy for officers of the Company. For the wording of the Remuneration Policy, see the Immediate Report on the convening of the meeting of April 11, 2022, and reference number 2022-01-060136, included herein by way of reference (hereinafter: the "**Remuneration Policy**"). As of the date of this report, the terms of office and employment of all Company officers are in accordance with the Remuneration Policy

4.6.3 Mr. Haim Shani – The Company is bound by a personal employment agreement with Mr. Haim Shani (controlling shareholder of the Company (jointly with the FIMI Fund) and a Director) (hereinafter in this section: the "**Employment Agreement**"). In accordance with the Employment Agreement, Mr. Shani serves as the active Chairman of the Board of Directors of the Company.

Under the Employment Agreement, Mr. Shani's salary is NIS 60,000 per month. The salary is linked to the Consumer Price Index, such that as of January 2012, and each year thereafter, an amount equal to the percentage of change in the past year's CPI is to be added to the salary thereof. The base index for the purpose of calculating the amount of linkage added in January 2012 was the known index for March 2011 published on April 15, 2011. The Employment Agreement is in force for a period of three years starting on April 1, 2022.

In accordance with the Employment Agreement, in addition to the wages listed above, Mr. Shani is eligible to receive the following benefits from the Company as follows: (a) Accepted social benefits such as Executive Insurance; (B) training fund; (C) use of a company vehicle (without specifying a specific vehicle category) and reimbursement of expenses; (D) A 30-day annual holiday that can be accrued over the next two years of work.

In addition, Mr. Haim Shani is eligible for an annual grant for each calendar year beginning in 2005 and as long as Mr. Shani is employed as a senior company officer, at a rate of 7.5% of pre-tax profit for the same year (cost to the Company) up to a ceiling of NIS 1.14 million (linked to the index from May 9, 2016)

Termination of Mr. Shani's employment agreement requires the approval of a simple majority of the Board of Directors and prior notice of at least six months. Mr. Shani may terminate his employment agreement for any reason, subject to three months' notice.

In March 2025, the Remuneration Committee and the Board of Directors of the Company confirmed a bonus payment of approximately NIS 1,340 thousand to Mr. Haim Shani in respect of 2024, according to the conditions described above, which is in accordance with the Remuneration Policy of the Company and the employment agreement of Mr. Shani, which constitutes fair and reasonable consideration for the essential services of Mr. Shani.

4.6.4 Mr. Amit Harari – The Company is bound by a personal employment agreement with Mr. Amit Harari, by which Mr. Harari serves as the Company's CEO.

In accordance with Mr. Harari's employment agreement, as amended from time to time¹, as of the date of the report, Mr. Harari's salary is NIS 57,000 per month.

In addition to the salary set forth above, Mr. Harari is entitled to receive the following benefits from the Company as follows: (a) acceptable social benefits such as executive insurance; (B) training fund; (C) use of a company vehicle and reimbursement of expenses; (D) A 24-day annual vacation that can be accrued over the next two years of work.

In addition, in accordance with the approval of the Remuneration Committee dated March 22, 2023 of the amendment (non-material) to Mr. Harari's employment agreement dated December 27, 2017, Mr. Harari is entitled to a maximum annual bonus of up to NIS 400 thousand (in lieu of the previously approved amount of NIS 375 thousand) subject to meeting the sales target and the net profit target.

On June 19, 2024, the Company's general meeting approved, following the approval of the Board of Directors and the Remuneration Committee of April 8, 2024, the granting of 100,000 unlisted stock options, each of which may be exercised for one Company ordinary share, in accordance with the plan for the allocation of options to employees and officers of the Company, which has been approved by the Company's Board of directors. For further details, see the Immediate Report on the Meeting Results of June 20, 2024, reference number: 2024-01-062739, which is hereby incorporated by reference and Note 15 to the 2024 Consolidated Financial Statements in Chapter C below. In addition, Mr. Harari has 17,690 unlisted warrant options, each of which is exercisable for one common share of the Company pursuant the 2019 option grant, such that the remaining options of Mr. Harari totals 117,690.

In March 2025, the Remuneration Committee and the Company's Board of Directors approved a bonus payment of approximately NIS 205 thousand to Mr. Amit Harari for 2024 in respect of attaining sales and profitability targets in accordance with the conditions described above, which is in accordance with the Company's remuneration policy and Mr. Harari's employment agreement, and complies with the Company's remuneration policy and constitutes fair and reasonable remuneration for Mr. Harari's essential services.

- 4.6.5 Mr. Amit Ben Zvi – Since April 1, 2019, Mr. Ben Zvi has served as Chairman of the Joint Active Board of Directors. For his tenure as the active Joint Chairman of the Board of Directors, the Company pays the FIMI Fund for the services of Mr. Ben Zvi an annual total amount equal to 55% of the employer's cost of the Active Chairman of the Board of Directors (Mr. Haim Shani) plus VAT and expenses. The salary is paid to Mr. Ben Zvi on a quarterly basis for the services rendered to the Company in the previous calendar quarter.

¹ On April 4, 2023, the Company announced the convening of an annual and special general meeting of the shareholders of the Company the agenda of which included, among other things, the approval of the amendment of the terms of the tenure and employment of Mr. Harari. On May 15, 2023, the Company announced the results of the annual and special general meeting in accordance with which all the decisions (including the amendment of the terms of the tenure and employment of Mr. Harari) on the agenda of the meeting were approved by the required majority. For further details, see the Immediate Reports of the Company of April 4, 2023, and May 15, 2023 (reference numbers: 2023-01-038949 and 2023-01-051990 respectively). The above references are included by way of reference.

In March 2025, the Remuneration Committee and the Board of Directors of the Company confirmed a bonus payment of approximately NIS 737 thousand (which constitute 55% of the employer's costs in respect of Mr. Shani's bonus to which Mr. Ben Zvi is entitled as stated above) to the FIMI Fund for the services of Mr. Amit Ben Zvi for 2024, according to the conditions described above which is in accordance with the Company's remuneration policy and the mechanism described above, and constitutes fair and reasonable consideration for the essential services of Mr. Ben Zvi.

- 4.6.6 The External Directors and Directors who do not serve as Company officers are entitled to annual remuneration and attendance fees at the "fixed amount" specified in the Second and Third Schedule to the Remuneration Regulations, and in accordance with the relevant rating of the Company's capital.

In accordance with the Company's Remuneration Policy, the remuneration and expense reimbursement of Directors who are not Company officers is identical to the remuneration and expense reimbursement paid to External Directors of the Company.

The amount of participation in the meeting and the annual remuneration paid by the Company to the Company's external directors as well as directors who do not serve as officers (other than their tenure as directors) or as Chairman of the Board of Directors of the Company as described above in 2024 is approximately NIS 138 thousand and approximately NIS 250 thousand, respectively.

On March 19, 2024, the Board of Directors of the Company, following the receipt of approval of the Remuneration Committee of March 12, 2024, approved the payment of annual compensation and participation compensation for Ms. Bareket Shani, the wife of Mr. Haim Shani, which serves as a member of the Board of Directors, and the FIMI Fund, the controlling shareholder of the Company, for the services of Mr. Gillon Beck as a Director of the Company in accordance with Regulation 1B (3) of the Companies Regulations (Easements in Transactions with Interested Parties), 2000 (hereinafter: "**Easement Regulations**") for an additional three years, namely, until December 20, 2026. For further details, see the Immediate Report of the Company dated March 20, 2024 (reference number: 2024-01-028662).

- 4.6.7 The Company has a directors and officers liability insurance policy for a limit of liability of USD 7,500,000 (seven and a half million US dollars) per event and in total, in respect of damages that could occur during the insurance period (plus reasonable legal defense costs in Israel beyond the limit of liability and legal expenses abroad within the limit of liability) (hereinafter: "the **Policy**"). The Company's deductible for insurance claims is between USD 10,000 and USD 50,000 per event, based on the type of insured event and claim location. The Policy includes a run-off coverage extension for a period of 84 months for an officer who ended his term of office, as long as the Policy is in force or has been renewed.

Pursuant to the Remuneration Policy of the Company and the terms thereunder, on May 6, 2024, and on May 8, 2024, the Balance Sheet Committee, the Remuneration Committee, the Audit Committee and the Board of Directors of the Company, respectively, approved the renewal and extension of the liability insurance policy for Directors and officers in the Company under the terms set forth below, valid from June

1, 2024 to May 31, 2025, in accordance with the previous Remuneration Policy of the Company. In addition, the Board of Directors and the Committee decided to insure, in accordance with the terms of the new policy, both the directors and officers of the Company who are not controlling shareholders in the Company or the relatives thereof, as well as directors and officers who are controlling shareholders in the Company or relatives thereof. The main terms of the policy are as follows: insurance coverage of USD 7,500,000 (USD seven million and five hundred thousand) for one event and in total for damages that may occur during the insurance period (plus reasonable legal defense expenses in Israel and abroad). The amount of the deductible of the Company in respect of claims shall be a total amount of USD 10,000, except for claims filed in the United States and Canada as well as claims in the field of securities, in which the deductible of the Company will be USD 50,000 per event.

4.6.8 For details on payments made during the reporting period to interested parties employed by the Company (including related payments), see section 4.6 above.

4.7.A Control of the Corporation (Reg. 21A)

The controlling shareholders of the corporation are the FIMI Fund and Mr. Haim Shani. For more details about Mr. Shani, see section 4.12 below.

In accordance with information provided to the Company by the FIMI Fund, the controlling shareholder of the FIMI Fund is Mr. Yishai Davidi.

4.7 Transactions with Controlling Shareholders (Reg. 22)

Below are details, to the best of the Company's knowledge, regarding each transaction with the controlling shareholders of the Company or which the controlling shareholders of the Company have a personal interest in its approval, entered into by the Company in 2024 and up to the date of publication of this Periodic Report, or is still valid as of the date of this Periodic Report:

4.7.1 Transactions which are not enumerated in section 270(4) of the Companies Law

4.7.1.1 Unitronics Building Management and Maintenance (2003) Ltd. (hereinafter: "**Unitronics Management**"), a wholly owned subsidiary of the Company, provides management and maintenance services for Unitronics Building. These services include, primarily, service for elevators and air conditioning, electrical and fire detection systems in the Unitronics Building (contacting various suppliers in case of malfunction and/or for servicing and/or periodic testing, as per the manufacturer's/ supplier's instructions), as well as services of cleaning, pest control, gardening and security (via subcontractors) (hereinafter: "the **Management Services**"). In return for these services, Unitronics Management charges monthly management fees at a rate of NIS 12.96 (as updated in 2023 following the approval of the renewal of the rental agreement in connection with the areas in the Unitronics Building from the controlling shareholders, Mr. Haim Shani and Ms. Bareket Shani, linked to the index of March 2015, as specified in section 4.7.2.2 below) per square meter of each tenant's space in the Unitronics Building, and in addition charges separately for electricity consumption according to readings of separate

meters of the Company and for the other tenants of the Unitronics Building (who share the expense, pro-rated to the area used by each tenant).

In accordance with a resolution of the Audit Committee and the Board of Directors from May 2003, Unitronics Management also provides maintenance services to the other areas in the Unitronics Building which are not used by the Company and are leased by a private company wholly owned by Mr. Haim Shani and Ms. Bareket Shani, provided that: (a) Unitronics Management provides equal services to all the tenants of the Unitronics Building, which are similar to the services provided by other management companies in the vicinity of the Unitronics Building; and (b) the effect of providing such services on the profitability, assets or liabilities of Unitronics remains immaterial. According to the resolution of the Company's Board of Directors, any deviation from the above resolutions requires the Board's approval and any other approval mandated by law. There is no written contract between the Company and Unitronics Management, and Mr. and Ms. Shani, with regard to the management services. In practice, Mr. and Ms. Shani require the tenants leasing the private floors (including the Company) to pay the full management fees charged by Unitronics Management, and said tenants pay Unitronics Management directly for management services at the same rate per square meter paid by the Company (other than consumption of electricity, for which each tenant is charged according to a separate electricity meter, according to actual usage).

For management services and electricity usage, Unitronics Management was paid in total approximately NIS 1,200 thousand in respect of 2024, of which approximately NIS 840 thousand was paid by the Company, and approximately NIS 360 thousand, approximately were paid by third parties.

- 4.7.1.2 On August 14, 2024, the Board of Directors of the Board of Directors of the Company approved, following the approval of the Audit Committee, as a non-extraordinary transaction, a repayment schedule for the debt balance of Utron Ltd. (a Company held by the controlling shareholders of the Company), such that the debt balance of approximately NIS 5.7 million will be repaid in 32 monthly payments of NIS 100 thousand in 2024 and NIS 200 thousand in 2025, as well as an update to the customer credit policy of the Company, such that the debt balance of Utron Ltd. to the Company will bear prime interest of + 0.4%, reflecting the interest rate Utron Ltd. receives for credit under the terms of the repayment schedule above, in lieu of the prime interest rate applicable to all of the customers of the Company under similar debt conditions.
- 4.7.1.3 In February 2019, an agreement was signed between the Company and Utron, in accordance with which Utron will periodically purchase products manufactured by the Company, such as: controllers, motors, electronic components, etc., in accordance with a fixed and predetermined price list according to which the Company sells those products to the distributor (depending on the quantity of products purchased), as updated from time to time. The aforesaid agreement is valid for a period of 10 years, with each party having the right to terminate the agreement with ninety days' prior written notice. The total sales of the Company to Utron in 2024 amounted to approximately NIS 1,029 thousand.
- 4.7.1.4 In February 2019, an agreement was signed between the Company and Utron, in accordance with which Utron leases to the Company an area of 220.5 square meters under a sublease at the price paid by Utron to the lessor plus overhead costs and a total amount of approximately NIS 13 thousand NIS per month. The agreement is back-to-

back with Utron's agreement with the lessor, including its termination date. In addition, each party has the right to terminate the agreement with 90 days' prior written notice.

- 4.7.1.5 As specified in Chapter A of this report, until the date of the split, the Company operated in two main areas of activity, the products sector and the automated solutions sector. As of the day of the split, the Company is active in the products sector only, and its operations in the automatic solutions sector were transferred to Utron Ltd, a company controlled by the controlling shareholder of the Company. As part of the Split, as aforesaid in section 1.3.2 of Chapter A of the Periodic Report, the Company and Utron entered into agreements as part of the split process as part of which the parties have undertaken to provide various services to each other (which included, among other things, financial and accounting services, legal services, human resources services, information systems services and additional general services throughout the transition period) until the completion of the transfer of assets and liabilities, with each party having the right to terminate the services or a service thereof with prior written notice, which were updated from time to time.²

On March 19, 2024, following the amendment of certain services and payments which were provided pursuant to the services agreement, the Board of Directors of the Company, following the receipt of the approval of the Audit Committee of the Company that this is not an extraordinary transaction, approve the aforesaid agreements between the Company and Utron for the provision of services by the Company to Utron and for the provision of services by Utron to the Company, and to extend them for a period of 3 years from the date of their termination, since each agreement, and all the agreements collectively, were under market terms and in the normal course of business, and since each of them, severally and collectively were not and will not currently have a material effect on the profitability of the Company, the property or liabilities thereof and that the extension thereof is beneficial to the Company. As part of the aforesaid renewal and extension of the agreements, the Company will provide Utron and its subsidiary in the United States with services in the amount of approximately NIS 34 thousand per month, whereas Utron will provide the Company with services for which the Company will be charged approximately NIS 75 thousand per month, reflecting the cost of the back-to-back (employment of the service providers in each of the companies). As of the date of this report, the aforesaid services include:

- A. Provision of services by Utron to the Company of an employee and a VP in the field of information systems with a job scope of 60% each, as well as a human resources manager with a job scope of 50%. In consideration for the aforesaid services, the Company will pay Utron a total of approximately NIS 64 thousand per month.
- B. Provision of services by the Company to Utron of payroll accounting services with a job scope of 40%, as well as through Unitronics Inc., for Utron Systems Inc. (a subsidiary of Utron in the United States), (hereinafter: "**Utron Systems**"), the services of a control employee and a chief bookkeeper with a job scope of 25% of each of the aforesaid. In consideration for the aforesaid services, Utron will pay the Company and

²

It should be clarified that in accordance with the service agreements between the Company and Utron, if a specific service is terminated under the service agreements, the consideration for the provision of the services will be reduced in accordance with the cost of the terminated service. Therefore, termination of a specific service can be the termination of all or part of the services.

Utron Systems will pay Unitronics Inc., respectively, a total of approximately NIS 34 thousand per month.

It should be clarified that with respect to the aforesaid agreements, the parties may change the scope of the employees providing the services to either Company at any time, with the amount being adjusted therefor, in accordance with the scope of their actual employment and the cost of their employment (back-to-back). In addition, each party has the right to terminate the agreement or a specific service pursuant thereto with ninety days' prior written notice.

4.7.2 Transactions listed in Section 270(4) of the Companies Law

- 4.7.2.1 The Company is bound by an agreement with a supplier of circuits and electronic cards (hereinafter: the "**Circuit Supplier**") controlled by FIMI Fund, the controlling shareholder of the Company, and by a similar agreement with a subsidiary of the Circuit Supplier.

For details of these agreements and their approval by the Audit Committee and the Board of Directors of the Company, see section 1.9.18.4 in Chapter A of the Periodic Report.

On May 13, 2023, the general meeting approved, among other things, entering into an agreement with the Circuit Supplier and a subsidiary of the Circuit Supplier. For further details, see the meeting convening notice dated April 4, 2023 (reference number: 2023-01-038949), which is included herein by way of reference.

- 4.7.2.2 On May 15, 2023, the general meeting of the shareholders of the Company approved a lease agreement for space in the Unitronics building in Airport City, from a company controlled by Mr. Haim Shani, one of the controlling shareholders of the Company, and Ms. Bareket Shani, Mr. Shani's wife, for an additional period of three years starting on May 15, 2023, pursuant to Section 275(a) of the Companies Law, following the receipt of the approvals of the Audit Committee and the Board of Directors of the Company.

For a detailed explanation of the reasons given by the Remuneration Committee and the Board of Directors of the Company for approving the aforesaid transaction, as well as for additional details of the leased property and the lease agreement, see section 1.11.2 of Chapter A of this Periodic Report above, as well as the convening notice of the annual and special general meeting of shareholders of the Company dated April 4, 2023 (reference number: 2023-01-038949), which is included herein by way of reference.

- 4.7.2.3 On December 29, 2024, following the approval of the Audit Committee and the Board of Directors of the Company, the general and special meeting of the shareholders approved an agreement of a transaction to sell dedicated developments developed by the Company for the systems of Utron (a company held by the controlling shareholders) for a total amount of approximately NIS 2,221 thousand (approximately USD 594 thousand), which will be paid in six equal quarterly payments of approximately NIS 370 thousand per quarter, starting at the end of the first quarter of 2025 (with Utron having the option at any stage to pay the remaining payment). Until the end of the payments by Utron to the Company, Utron will perform purchases based on the aforesaid developments from Unitronics only, under the same terms in which the Company sells to Utron the products based on these developments pursuant to the current agreement between the companies. For further details, see the meeting convening notice report dated November 24, 2024 (reference number: 2024-01-617916) and the supplementary report to the meeting convening notice report dated December 22, 2024 (reference number: 2024-01-626209), which are included herein by way of reference.

4.8 Holdings of Interested Parties and Senior Officers (Reg. 24)

For details regarding shares and other securities of the Company or of a subsidiary or related company of the Company held by any interested party in the Company as of the report publication date, see Immediate Report on the Holdings of Interested Parties and Senior Officers, dated January 7, 2025 (reference number 2024-01-002598), included herein by way of reference.

4.9 Registered Capital, Issued Capital and Convertible Securities (Reg. 24A)

For details regarding registered capital, issued capital and convertible securities of the Company, see the Immediate report of the Company dated February 19, 2025, reference number: 2025-01-0011653.

4.10 Register of Shareholders of the Corporation (Reg. 24B)

For details on the register of Company shareholders as of the date of publication of this Periodic Report, see Immediate Report dated February 19, 2025, reference number: 2025-01-011653, included herein by way of reference.

4.11 Registered Address (Reg. 25A)

Registered Company Office: Unitronics Building, HaArava Street, Airport City, POB 300, Ben Gurion Airport, 70100

Email: info@unitronics.com

Telephone number: 03-9778888

Fax number: 03-9778877

4.12 Directors of the Corporation (Reg. 26)

Name, ID number, date of birth, citizenship	Address for court notices	Board of Directors Committee Memberships; Independent Director/ External Director as defined in the Companies Law – Yes/No	Employee of the Company, of a subsidiary thereof, of a related company thereof or of an interested party therein – Position or positions held therein	Date of commencement of service as a Director of the Company	Education and occupation during the past 5 years, with details of the acquired profession or educational field, the educational institution and the academic degree or professional diploma held as well as details of corporations in which the Director serves as a Director	According to the best knowledge of the Company and its Directors, is the Director a family member of an interested party in the Company?– Yes / No (details)	Does the Company regard the Director as having accounting and financial expertise?
Haim Shani 056548142 31/7/1960 Israeli	17 Arlozorv, Tel Aviv	No; Has professional qualifications	Yes, CEO and Director of the Company until March 2019 and as of that date active Chairman of the Board of Directors, Director and senior officer in the subsidiaries, Unitronics Building Management and Maintenance (2003) Ltd., President of Unitronics Inc.	20/8/1989	High school education, from March 2019 he serves as a director and CEO of Utron, President of Unitronics Systems Inc. High School education, Director and CEO of Utron; President of Unitronics Systems Inc. Director and Senior Officer in the subsidiaries Unitronics Building Management and Maintenance (2003) Ltd. and Unitronics GMBH.	Yes, husband of Ms. Bareket Shani, a Director of the Company (see details below)	No
Bareket Shani 0581366311 30/6/1963 Israeli	17 Arlozorv, Tel Aviv	No; Has professional qualifications	No ³ , except as the Secretary of the subsidiary Unitronics Inc.	1/1/1999	Academic. B.Sc. in Industrial Engineering and Management from the Technion. Company Secretary of Utron and Unitronics Systems Inc.; Director of Utron	Yes, the wife of Mr. Haim Shani.	No
Zvi Livne 010025658 22/7/1947 Israeli	20 Ma'ale Habanim , Yokneam	No; Audit, Remuneration and Financial Statements Review Committee; Has accounting and financial expertise as well as professional qualifications	No	8/7/1999	Academic. BA in Economics and Accounting from Tel Aviv University; MBA from Tel Aviv University; CPA certificate holder. Serves as a financial and commercial consultant to several Israeli companies; up to 2022, senior partner at Ziv, Shifer & Co., CPA; serves as a Director of Unitronics Building	No	Yes

³ Until January 8, 2021, Ms. Shani served as Deputy CEO and Human Resources Manager of the Company and from that date Ms. Shani resigned from all her management positions in the Company and she serves solely as a Director of the Company. For further details see Immediate Report Dated December 21, 2020, reference number 2020-01-137628, which is incorporated hereto by way of reference.

Name, ID number, date of birth, citizenship	Address for court notices	Board of Directors Committee Memberships; Independent Director/ External Director as defined in the Companies Law – Yes/No	Employee of the Company, of a subsidiary thereof, of a related company thereof or of an interested party therein – Position or positions held therein	Date of commencement of service as a Director of the Company	Education and occupation during the past 5 years, with details of the acquired profession or educational field, the educational institution and the academic degree or professional diploma held as well as details of corporations in which the Director serves as a Director	According to the best knowledge of the Company and its Directors, is the Director a family member of an interested party in the Company?– Yes / No (details)	Does the Company regard the Director as having accounting and financial expertise?
					Management and Maintenance (2003) Ltd., PML – Particle Monitoring Technologies Ltd. and Alberta Nano Monitoring Systems		
Amit Ben-Zvi 022644744 11/9/1966 Israeli	94 Yigal Alon St., Tel Aviv 67891	No; Has accounting and financial expertise as well as professional qualifications	Yes, active chairman of the board of directors of the Company until March 2019, and as of that date a joint chairman of the board of directors; Chairman of the Board of Directors of Utron, Chairman of the Board of Directors of the subsidiaries Unitronics Inc. and Unitronics GMBH, a partner in the FIMI Fund (controlling shareholder in the Company).	18/5/2016	Academic. LLB from Tel Aviv University; BA in Accounting from Tel Aviv University. Senior Partner in the FIMI Fund. Director at: C. Mer Industries Ltd, Y. Stern Engineering Ltd., E&M Computing Ltd., Dean Marketing and Roasting (2021) Ltd., Hyper Global Ltd., Utron Ltd., Ashot Ashkelon Industries Ltd.; Amal Holdings Ltd; Senstar Technologies Ltd.; Marom Dolphin Ltd.; .Chairman of the Board of Directors of Unitronics Systems Inc., a company owned by Utron Ltd..	No	Yes
Gillon Beck 057382780 16/2/1962 Israeli	34 Ha-Arazim St., Givat Ada	No; Has accounting and financial expertise as well as professional qualifications	Yes, senior partner in the FIMI Fund (a controlling shareholder of the Company)	18/5/2016	Academic. B.Sc. in Industrial and Management Engineering from the Technion; MBA from Bar Ilan University. Senior partner in the FIMI Fund. Director at: Utron Ltd., Inrom Group, Sunstar Technologies Ltd.; Beit Shemesh Engineers Holdings (1997) Ltd. (and subsidiaries), Orbit Technologies Ltd., Bird Aerosystems Ltd., Aitec Ltd., ImageSat, Simplivia, Y, Stern Engineering Ltd., Rafa	No	Yes

Name, ID number, date of birth, citizenship	Address for court notices	Board of Directors Committee Memberships; Independent Director/ External Director as defined in the Companies Law – Yes/No	Employee of the Company, of a subsidiary thereof, of a related company thereof or of an interested party therein – Position or positions held therein	Date of commencement of service as a Director of the Company	Education and occupation during the past 5 years, with details of the acquired profession or educational field, the educational institution and the academic degree or professional diploma held as well as details of corporations in which the Director serves as a Director	According to the best knowledge of the Company and its Directors, is the Director a family member of an interested party in the Company?– Yes / No (details)	Does the Company regard the Director as having accounting and financial expertise?
					Laboratories Ltd. E&M Computing Ltd., Hyper Global Ltd.; TAT Technologies, FIMI Group		
Yariv Avisar 57418873 24/12/1961 Israeli	Ha-Shahaf St., POB 219, Ein Sarid	No; Has professional qualifications	No	18/5/2016	Academic. Serves as Chairman of the Board of Directors at Dolav Plastic Containers, Amppera, Amiad Water Systems and Dagesh F.K. Director of Scodex, Telfair and Foreseed	No	No
Carmit Shilo 0570963642 3/6/61 Israeli	Strauss 3, Tel Aviv	Yes, External Director; Audit, Remuneration and Financial Statements Review Committee	No	19/6/2024	Academic. BSc Industrial Engineering and Management, Technion. 2019 Ended position in Amdocs management in 2019, 2021-2024 External Director: Cognyte, Investments in startup companies and consulting.	No	No
Rivka Granot 022652457 4/3/1967 Israeli	8 Finland St., Haifa	Yes, External Director; Audit, Remuneration and Financial Statements Review Committee; Has accounting and financial expertise as well as professional qualifications	No	18/5/2016	Academic. BA in Economics and Business Administration from Haifa University; M.Sc. in Business Administration Science from the Technion. Holds an investment portfolio management license (suspended license). Serves as a member on the Investment Committee of Amitim (Harel Insurance), Director at Israel Ports Development & Assets Company	No	Yes

Name, ID number, date of birth, citizenship	Address for court notices	Board of Directors Committee Memberships; Independent Director/ External Director as defined in the Companies Law – Yes/No	Employee of the Company, of a subsidiary thereof, of a related company thereof or of an interested party therein – Position or positions held therein	Date of commence- ment of service as a Director of the Company	Education and occupation during the past 5 years, with details of the acquired profession or educational field, the educational institution and the academic degree or professional diploma held as well as details of corporations in which the Director serves as a Director	According to the best knowledge of the Company and its Directors, is the Director a family member of an interested party in the Company?– Yes / No (details)	Does the Company regard the Director as having accounting and financial expertise?
					Limited, Tomer Energy Royalties, Ltd., Danel and KAMAR (voluntarily), Emilia Development, ICIC. (Also serves voluntarily as the Chairman of the Investment Committee of the University of Haifa and also a member of the Investment Committee of the Israel Democracy Institute).		

Senior Officers (Reg. 26A)- Unitronics

Below are details with regard to each of the senior officers of the Company whose details were not set forth in section 4.12 above:

Name, ID number, date of birth	Date on which the officer began his term of office	Position held by the officer in the Company, a subsidiary thereof, a related company thereof or an interested party therein; If the senior officer is an independent authorized signatory of the Company – this fact is to be mentioned	Is the officer an interested party in the Company or related to another senior officer or to an interested party in the Company?	Education and business experience during the past five years
Amit Harari 33591843 25/11/76	01/04/19	CEO	No	Academic, B.Sc. in Industrial Engineering from the Technion, MBA from Tel Aviv University.
Itzhak Hai 024062374 8/11/68	21/11/21	Chief Financial Officer	No	Academic Education, BA in Business Administration (majoring in Accounting) from the College of Management, Certified Public Accountant Prior to joining the Company served as CFO of Materna Industries Limited Partnership.
Ron Alkalay 024844045 07/02/70	01/04/19	VP of Chain and Supply	No	Academic Education: Industrial Engineering and Management B.Sc. - Technion, Business Administration M.Sc.- Tel Aviv University Served as Operations Manager at Caesar Stone and as Vice President of Operations at Bordeaux Digital.
Boaz Karmi 022396535 13/04/66	01/04/19	VP Marketing & Sales	No	BA and MA in Economics and Business Administration Diplom Kaufmann, University of Applied Sciences – (Hannover, Germany) Past 5 years' experience: General Manager Sales at Fuji Electric Europe GmbH - Offenbach am Main, Germany.
Albert Batz 643984318 10/08/1951	01/7/17	General Manager Unitronics INC	No	Academic Education, Bachelor of Science - Physics, served as Vice President of Sales for the North American Company, as of July 2017 serving as Sales Manager for the Company in North America. Prior to joining the company, he served as ABB's Global Sales Manager.
Daniel Shapira 052755998 21/7/54	02/6/19	Internal Auditor	No	Academic Education, BA in Accounting and Economics from Bar Ilan University, for the past 6 years – owner of an accounting firm and an auditor for public companies traded in Israel and abroad.

4.13 Corporation's Independent Auditor (Reg. 27)

BDO Ziv Haft, CPA – 48 Menachem Begin St., Tel Aviv.

4.14 Amendment of the Articles or Memorandum of Association (Reg. 28)

There has been no amendment of the Articles of Association of the Company during the period of the report and until the date of the publication thereof.

4.15 Recommendations and Resolutions of the Directors and Resolutions of Extraordinary General Meeting (Reg. 29)

4.15.1 During the period of the report and up to the date of its publication the following resolutions were published and approved by the Board of Directors in the matters set out in regulation 29(a) of the Reports Regulations as follow:

- 4.15.1.1 On June 19, 2024, the annual and special general meeting of the shareholders of the Company approved the following items: (a) presentation and discussion of the 2023 Periodic Report; (b) re-appointment of the auditor of the Company and authorization of the Board of Directors to determine the remuneration thereof; (c) re-appointment of the current directors of the Company (who are not external directors); (d) approval of a letter of indemnity and exemption for a period of three years for Mr. Amit Ben Zvi; (e) approval of a letter of indemnity and exemption for a period of three years for Mr. Gillon Beck; (f) approval of a letter of indemnity and exemption for a period of three years for Mr. Haim Shani; (g) approval of a letter of indemnity and exemption for a period of three years for Ms. Bareket Shani; (h) approval of a material private allotment of options to the CEO of the Company, Mr. Amit Harari; (i) appointment of Mrs. Carmit Shilo as a Director of the Company and approval of a letter of exemption and indemnity. For further details, see the meeting convening notice dated May 15, 2024, (reference number: 2024-01-047713) which is included herein by way of reference.
- 4.15.1.2 On December 29, 2024, a general and special meeting of the shareholders of the Company approved an agreement of a transaction for the sale of dedicated developments developed for the systems of Utron, as specified in section 4.7.2.3 above.
- 4.15.1.3 On May 8, 2024, and on August 14, 2024, the Board of Directors of the Company decided to distribute dividends in the amount of NIS 16 million and NIS 8 million, respectively (as published in the reports of the Company dated May 9, 2024 and May 21, 2024, reference numbers: 2024-01-045718, 2024-01-052461, 2024-01-087895 and 2024-01-087837, respectively).
- 4.15.1.4 On March 19, 2025, the Board of Directors of the Company decided to distribute a dividend in the amount of NIS 8 million. The Company will act to publish an immediate report in connection with the distribution of the aforesaid dividend, simultaneously with the publication of this report.
- 4.15.1.5 On March 19, 2025, the Board of Directors of the Company decided to convene an annual and special general meeting of the shareholders of the Company, the agenda of which will be: (a) presentation and discussion of the 2024 Periodic Report of the Company; (b) the reappointment of the auditor of the Company and the authorization of the Board of Directors of the Company to determine the remuneration thereof; (c) the reappointment of the Directors serving in the Company (who are not External Directors); (d) approval of the terms of office and employment of the active Chairman of the Board of Directors of the Company, Mr. Haim Shani; (e) approval of the terms of office and employment of the Joint Chairman of the Board of Directors of the Company, Mr. Amit Ben Zvi; (f) reapproval of the Remuneration Policy of the Company; (g) approval of the appointment of Mrs. Doron Shahar as an External Director of the Company.

4.15.2 In addition, no resolutions were passed at the general meeting, not in accordance with the recommendations of the directors.

4.16 Resolutions of the Company (Reg. 29A)

4.16.1 Below are details regarding provisions of exemption, insurance and undertaking to indemnify officers, in effect as at the date of this Periodic Report, which are subject to the Remuneration Policy of the Company (for details see section 4.6.2 above):

4.16.1.1 Indemnification and exemption: The Company has undertaken towards officers of the Company (including Directors in the Company), including Directors and officers which are controlling shareholders in the Company and/or the representatives thereof that the Company would indemnify them, in advance, in specific cases (hereinafter: "the Determining Events"), in an amount not exceeding 25% of the Company's equity, as recorded in its financial statements as of the date of the indemnification, for all the officers. This amount will be added to the amount of all insurance benefits in respect of the types of Determining Events, which the Company will receive from time to time under any officers' liability insurance. The list of Determining Events was updated at a later date following the amendment of the letter of indemnification and exemption issued to officers of the Company, including its controlling shareholders. These undertakings of the Company will continue to apply to the benefit of the Company's officers also after the termination of their service with the Company, provided that actions in respect of which the indemnification is granted were performed during the period of their service as officers of the Company. The Company has also undertaken to release its officers, in advance, from any liability for damage due to a breach of the duty of care towards the Company, with certain restrictions.

The Company from time to time renews the validity of the letters of indemnity and exemption of its officers, including the controlling shareholders thereof and/or the representatives thereof, and issues letters of indemnity and exemption to new officers that are appointed, in accordance with the requirements of the law.

4.16.1.2 For details of the insurance of officers of the Company, see section 4.6.7 above.

Unitronics (1989) (R"G) Ltd.

Amit Ben-Zvi
Joint Active Chairman of
the Board of Directors

Haim Shani
Active Chairman of the
Board of Directors

Amit Harari
CEO

March 19, 2025

Chapter E - Annual report on the effectiveness of internal control on the financial reporting and disclosure in accordance with Regulation 9b (a) of the Report Regulations for the year 2024

The management of the Company, under the supervision of the Board of Directors of Unitronics (1989) (RG) Ltd. (hereinafter: the "**Company**"), is responsible for establishing and maintaining proper internal control over the financial reporting and disclosure in the Company.

In this regard, the members of the Board of Directors are:

1. Amit Harari, CEO;
2. Itzhak Hai, CFO;
3. Boaz Karmi, VP Marketing & Sales;
4. Ron Alkalay, VP of Chain and Supply;

The internal control over the financial reporting and the disclosure includes controls and procedures that exist in the Company, which were designed by the General Manager and the most senior officer in the field of finance or under their supervision, or by the person who actually performs the aforesaid duties, under the supervision of the Board of Directors of the Company, which are designed to provide a reasonable degree of security with regard to the reliability of the financial reporting and the preparation of the reports in accordance with the provisions of the law, and to ensure that information that the Company is required to disclose in the reports it publishes, in accordance with the provisions of the law, is collected, processed, summarized and reported on the date and format stipulated by the law.

The internal control includes, among other things, controls and procedures which were designed to ensure that information that the Company is required to disclose, as specified above, is collected and transmitted to the management of the Company, including the General Manager and the Chief Financial Officer or to those who actually perform the aforesaid duties, in order to enable decisions to be made at the appropriate time, with reference to the requirements of disclosure.

Due to its structural limitations, the internal control over the financial reporting and disclosure is not intended to provide absolute assurance that misrepresentation or omission of information in reports will be prevented or discovered.

The management, under the supervision of the Board of Directors, performed an examination and assessment of the internal control over the financial reporting and disclosure in the Company and its effectiveness; The assessment of the effectiveness of the internal control over the financial reporting and disclosure carried out by the management of the Company under the supervision of the Board of Directors of the Company included: assessing the risks of reporting and disclosure, mapping the processes and determining the highly essential processes for the financial reporting and disclosure, mapping and documenting the controls that exist in the corporation, an overall assessment of the effectiveness of the internal control, including controls at the organization level

(control level entity), the process of preparing and closing the financial statements, general controls on the information systems (ITGC). The processes identified by the management as the highly essential processes for financial reporting include the income process as well as the inventory and raw material procurement process in the Company.

Based on the assessment of the effectiveness carried out by the management under the supervision of the Board of Directors as specified above, the Board of Directors and the management of the Company reached the conclusion that the internal control over the financial reporting and disclosure in the Company as of December 31, 2024, is effective.

Managers Statement

General Manager Statement in accordance with Regulation 9b (d) (1) of the Report Regulations:

I, Amit Harari, declare that:

1. I have examined the 2024 Periodic Report of Unitronics (1989) (RG) Ltd. (hereinafter: the "**Company**") (hereinafter: the "**Reports**");
2. To the best of my knowledge, the reports do not include any misrepresentation of a material fact and they do not lack a presentation of a necessary material fact so that the representations included therein, in light of the circumstances in which those representations were included, would not be misleading with reference to the period of the reports;
3. To the best of my knowledge, the financial statements and other financial information contained in the reports adequately reflect, in all material respects, the financial position, results of operations and cash flows of the Company for the dates and periods to which the reports refer;
4. I have disclosed to the auditor of the Company, the Board of Directors and the Audit Committee of the Company, based on my most recent assessment of the internal control over financial reporting and disclosure:
 - A. All the significant deficiencies and material weaknesses in the establishment or operation of the internal control over the financial reporting and disclosure that could reasonably have a negative impact on the ability of the Company to collect, process, summarize or report financial information in a manner which calls into question the reliability of the financial reporting and the preparation of financial statements in accordance with the provisions of the law ; and -
 - B. Any fraud, whether material or not, involving the General Manager or those directly subordinate thereto or involving other employees who have a material role in the internal control of the financial reporting and disclosure;
5. I, alone or jointly with others in the Company:
 - A. Established controls and procedures, or verified the establishment and existence of controls and procedures under my supervision, designed to ensure that material information relating to the Company, including its consolidated companies as defined in the Securities Regulations (Annual Financial Statements), 2010, is brought to my attention by others in the Company and the consolidated companies, in particular during the period of preparation of the reports; and -

- B. Established controls and procedures, or verified the establishment and existence of controls and procedures under my supervision, intended to reasonably ensure the reliability of the financial reporting and the preparation of financial statements in accordance with the provisions of the law, including in accordance with accepted accounting rules;
- C. Assessed the effectiveness of the internal control over the financial reporting and the disclosure and presented in this report the conclusions of the Board of Directors and the management regarding the effectiveness of the aforesaid internal control as of the date of the reports.

The above does not detract from my responsibility or the responsibility of any other person, in accordance with any law.

Date: March 19, 2025

_____ Amit Harari, CEO

Managers Statement

Statement of the Chief Financial Officer in accordance with Regulation 9b (d) (2) of the Report Regulations:

I, Itzhak Hai, declare that:

1. I have examined the 2024 Periodic Report of Unitronics (1989) (RG) Ltd. (hereinafter: the "**Company**") (hereinafter: the "**Reports**");
2. To the best of my knowledge, the financial statements and the other financial information contained in the reports do not include any misrepresentation of a material fact and they do not lack a presentation of a necessary material fact so that the presentations included therein, in light of the circumstances in which those presentations were included, would not be misleading with reference to the period of the reports;
3. To the best of my knowledge, the financial statements and other financial information contained in the reports adequately reflect, in all material respects, the financial position, results of operations and cash flows of the Company for the dates and periods to which the reports refer;
4. I have disclosed to the auditor of the Company, the Board of Directors and the Audit Committee of the Company, based on my most recent assessment of the internal control over financial reporting and disclosure:
 - A. All the significant deficiencies and material weaknesses in the establishment or operation of the internal control over financial reporting and disclosure insofar as it relates to the financial statements and the other financial information contained in the statements, which could reasonably have a negative impact on the ability of the Company to collect, process, summarize or report financial information in a manner which calls into question the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law; and -
 - B. Any fraud, whether material or not, involving the General Manager or those directly subordinate thereto or involving other employees who have a material role in the internal control of the financial reporting and disclosure;
5. I, alone or jointly with others in the Company:
 - A. Established controls and procedures, or verified the establishment and existence of controls and procedures under my supervision, designed to ensure that material information relating to the Company, including its consolidated companies as defined in the Securities Regulations (Annual Financial Statements), 2010, is brought to my attention by others in the Company and the consolidated companies, in particular during the period of preparation of the reports; and -

- B. Established controls and procedures, or verified the establishment and existence of controls and procedures under my supervision, intended to reasonably ensure the reliability of the financial reporting and the preparation of financial statements in accordance with the provisions of the law, including in accordance with accepted accounting rules;
- C. Assessed the effectiveness of the internal control over the financial reporting and the disclosure, insofar as it relates to the financial statements and the other financial information contained in the reports as of the date of the reports; My conclusions regarding my aforesaid valuation were presented to the Board of Directors and the management and are included in this report.

The above does not detract from my responsibility or the responsibility of any other person, in accordance with any law.

Date: March 19, 2025

_____ Itzhak Hai, CFO