



UNITRONICS (1989) (R"G) LTD.

Airport City, Israel,

March 03, 2019

**Unitronics (1989) (R"G) Ltd.
(the "Company" or "Unitronics")**

Re: Tax treatment of spin-off in the hands of Belgian shareholders

Our Belgian counsel is currently in the process of obtaining a ruling confirming that the spin-off does not trigger taxable income in the hands of the Unitronics' individual shareholders having their tax residency in Belgium.

The spin-off should in principle not trigger taxable income in the hands of the individual shareholders for Belgian tax purposes. Belgian tax law defines a (taxable) dividend under Article 18 of the Belgian Income Tax Code (ITC). To qualify as a dividend under Article 18, first indent, 1° there should be an enrichment in the hands of the shareholders and a corresponding impoverishment at the level of the distributing company. At the occasion of the spin-off, Unitronics' shareholders do not actually receive any return on their shares. Indeed, the fiscal net value of the shares in Unitronics prior to the spin-off is therefore equal to the aggregate fiscal net value of the shares in Unitronics and Utron after the spin-off. Moreover, Article 18, first indent, 2°ter ITC defines a dividend in the particular case of a full or partial distribution of a Belgian or non-Belgian company's equity. Given the fact that the spin-off will be treated tax neutral for Israeli legal, accounting and income tax purposes, no actual distribution of Unitronics' assets nor an enrichment of the shareholders will take place.

In case the Belgian intermediaries nevertheless levy Belgian withholding tax upon the spin-off, the Belgian shareholders are entitled to submit a tax complaint requesting for a refund of the withholding tax levied with the competent Belgian tax authorities. The claim to refund the tax is subject to a statute of limitation of five years which starts to run on the 1st of January of the year in which the withholding tax was paid.

We will of course keep you informed about the progress of the Belgian ruling process.

Respectfully,

Unitronics (1989) (R"G) Ltd.