



UNITRONICS (1989) (R"G) LTD.

PRESS RELEASE
Airport City, Israel,
October 07, 2018

*****Regulated Information*****

*****For Immediate Release*****

An Immediate report Information provided to the debenture holders

Airport City, Israel – October 7, 2018 – Unitronics published the attached Immediate Report pursuant to the requirements of Israeli law, in connection with Information provided to the debenture holders.

About Unitronics

Unitronics (1989) (R"G) Ltd. is an Israeli company that engages, through its Products Department, in the design, development, production, marketing and sale of industrial automation products, mainly Programmable Logic Controllers ("PLCs"). PLCs are computer-based electronic products (hardware and software), used in the command and control of machines performing automatic tasks, such as production systems and automatic systems for industrial storage, retrieval and logistics. The Company also engages, through its Automated Solutions Department and/or its subsidiaries, in the design, construction and maintenance services in the framework of projects for automation, computerization and integration of computerized production and/or logistics systems, mainly automated warehouses, automated distribution centers and automated parking facilities. The Company's PLCs are distributed by over one hundred and sixty distributors (and a wholly owned US subsidiary) in approximately sixty countries throughout Europe, Asia, America and Africa. The services of the Systems Department are provided to customers in Israel and also outside Israel.

This press release contains certain forward-looking statements and information relating to the Company that are based on the beliefs of the Management of the Company as well as assumptions made by and information currently available to the Management of the Company. Such statements reflect the current views of the Company with respect to future events, the outcome of which is subject to certain risks and other factors which may be outside of the Company's control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described herein as projected, anticipated, believed, estimated, expected or intended.

Unitronics (1989) (R"G) Ltd. ("The Company")

October 7, 2018

To: THE ISRAEL SECURITIES AUTHORITY THE TEL-AVIV STOCK EXCHANGE LTD

Re: Information provided at a meeting of debenture holders

(Hereinafter: "the Debenture Holders"), in connection with the Company's request pursuant to Section 303 of the Companies Law, 5759-1999 (hereinafter: "the Companies Law") for the execution of the Company's debentures (Series 4 and 5) ("The request"), the Company is satisfied that the information presented at the consultation meeting for the debenture holders (hereinafter - "the Company"), which is held in trust for the Company's shareholders ("the request"), rule:

Presentation presented by the company's management:

1. A report on the examination of the structural change as published by the Company on August 20, 2018 (Reference No. 2018-01-077146), which is presented in this report by way of reference.
2. Referring to the fact that at present the Company has two areas of activity that differ materially in the nature of their operations. One is the area of PLCs, which, subject to the completion of the structural change, will remain in the Company and includes: (a) development of production and marketing of products; (B) Has a mature product - stable, proven and reputable; (C) The activity produces tens of thousands of electronic products and components annually; (D) sales activity worldwide through distributors; (E) activity has existing and stable distribution channels globally; (F) The activity is characterized by good profitability over time and a positive cash flow. Second, the area of automated solutions includes: (a) development of production and marketing solution / project; (B) The product is innovative and is in the final stages of development and stabilization; (C) activity requires market education and brand introduction; (D) The activity requires the establishment of operational infrastructures for realizing the new projects in this area
3. The division of activity into two separate companies, as requested in the application, will facilitate: Simplifying the overall structure of the Company, focusing on activities in its unique objectives and raising capital for Yatron to support growth and growth.
4. The advantages of fragmentation in PLCs include: (a) management focus on growth engines and deepening activity in target markets; (B) an improvement in profitability and cash flow; (C) improvement in all financial criteria; (D) Positioning in the capital market - positioning the Company as a profitable company over time, and the possibility of distributing dividends.
5. The advantages of fragmentation in the area of automated solutions include: (a) completion and stabilization of company management; (B) focusing on the US market and positioning the company as a market leader; (B) raising capital to accelerate growth (if necessary); (C) positioning the capital market as a technological growth company.

Presentation presented by Prometheus Economic Consulting, the company's economic advisors:

1. Prometheus Economic Consulting (hereinafter: "Prometheus") for the fact that the split includes a capital reduction of NIS 47 million in the framework of which the automatic solutions activity, which has a negative history with negative cash flows, Will be transferred to Yatron, while the operations of PLCs that have a history of profitability will remain in the Company.

2. Prometheus examined the course of the split and found that there is no reasonable concern that the reduction of capital will prevent the Company from meeting its existing and expected obligations upon reaching maturity, and submitted such an opinion in the framework of a request to approve capital reduction to the Court.
6. Prometheus presented pro-forma historical results of automated solutions:
 - A. The automated solutions activity recorded a pro forma loss of NIS 6.6 million, NIS 29.5 million and NIS 12.5 million in 2015, 2016 and 2017 respectively.
 - B. In the first half of 2018, the automated solutions activity recorded a loss of NIS 2.2 million.
 - C. From the date of its existence until the date of the opinion submitted in the framework of the request, the automatic solutions activity recorded a loss of NIS 98 million and, according to Unitronics' management, it is expected to record an additional loss of NIS 10 million until it reaches a balance.
 - D. According to Unitronics, when the split activity began, the expected loss was materially low. God. In view of the above, Prometheus's position on the cash flow level is beneficial for the AGH holders at least in the short term.
7. In accordance with Prometheus's opinion, Unitronics' risk profile is composed of the two activities in which it operates. The activity of the PLCs, which is based on activity, is a positive record of profits and cash flows, while the automatic solutions activity, which is more entrepreneurial and more risky in nature, is reminiscent of a "start-up". In light of the above, the company's bondholders are currently exposed to the aggregate risk of both activities, and the split of the automated solutions sector will benefit the agaj holders by lowering the company's risk profile.
8. Within the framework of their opinion submitted in the framework of the request to the court to approve a capital reduction, Prometheus examined the effect of the split on the Company's financial stability and concluded that the Company will be able to meet its existing and expected liabilities even if the split is given. In the opinion, the main obligation examined was the debt to bondholders, and it was found that even in an extreme scenario, the Company would be able to serve its debts.
9. The capital reduction is mostly the cancellation of intercompany balances and not the transfer of cash to the new company. From an accounting point of view, the split will lead to a reduction of NIS 46.9 million from the Company's equity by canceling inter-company balances of NIS 48.6 million, offset by liabilities of 1.7 million that will be transferred to Utron.
10. Prometheus presented the condensed pro forma statements of profit and loss (simulating a situation in which the split occurred at the beginning of 2015) of the Company after the split on the basis of which the financial ratios were calculated:

Million ILS	2015	2016	2017	1.1.18-30.6.18
Revenue	99.6	102.2	110.6	59.0
EBITDA	24.3	24.1	25.7	14.7

NIS in Thousands	Balance sheet as of 30.6.3018
Current assets	75.8
Non-Current assets	59.9
Total assets	<u>135.7</u>
Current Liabilities	39.5
Non-Current Liabilities	54.3
Owner's capital	41.9
Total Liabilities + Capital	<u>135.7</u>

11. The financial ratios of the Company (pro forma solo) to 30.6.2018 after the split (above) attest to the financial strength and excellent repayment ability:
- A. Net financial debt to the balance sheet: 29.6% - Proper ratio
 - B. Equity to Balance Sheet Ratio: 30.9% - Proper Ratio
 - C. Net financial debt to EBITDA: 1.5 - Excellent ratio
 - D. Current ratio: 1.9 - Excellent ratio
- God. The Company's EBITDA rate (pro-forma solo) for 2015-2017 and for the first half of 2018 remained stable at 23-24% of revenues.
12. Prometheus presented the effect of the split on the Company's operating profit, whereby the split activity constituted a burden on Unitronics' reports. This situation is expected to continue at least in the short term.

NIS in Thousands	2015	2016	2017	1.1.18 – 30.6.18
Unitronics actual operating profit	13,335	(11,780)	8,880	6,141
Unitronics proforma operating profit (without the spinoff)	16,140	14,489	15,933	8,920

13. As part of Prometheus's examination, Prometheus assumed a negative cash flow scenario that included the following assumptions:
- A. Revenue - despite consistent growth in recent years, has been projected to decline by 5% per year from 2019.
 - B. Cost of sales and operating costs - for the scenario, the highest rate was assumed in the last three years.
 - third. Capital investments - despite the negative growth, it was assumed that investments would not decrease.
 - D. Intercompany income - no profits were placed in the subsidiaries.
- God. Period - until 2024 (one year after the end of the repayment of the bonds).
Below is the Company's forecast cash flow under the extreme scenario, under the assumptions above:

NIS in Thousands	1.7.18 – 31.12.18	2019	2020	2021	2022	2023	2024
Cash I.P.	14.4	17.1	16.7	16.3	20.8	25.1	29.2
Cash I.S.	17.1	16.7	16.3	20.8	25.1	29.2	41.2

Accordingly, Prometheus's conclusion is that, even in the extreme scenario, and taking into account the principal and interest payments of the bonds, the Company remains with a minimum cash cushion greater than NIS 14.4 million each year.

In addition, the Company will comply with the financial covenants of its debentures:

- The ratio of financial debt to EBITDA not exceeding x10 - consistent compliance with a significant gap in this condition is expected to occur even in an extreme scenario.
- Shareholders' equity will not fall below NIS 25 million - consistent compliance with a significant gap in this condition is expected to occur even in an extreme scenario.
- The ratio of net financial debt to net CAP is less than 70% - a consistent gap in this condition is expected to be consistent even in an extreme scenario.

Unitronics (1989) (RG) LTD
Eitan Alon, CFO