



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

The Securities Authority

[www.isa.gov.il](http://www.isa.gov.il)

The Tel Aviv Stock Exchange

[www.tase.co.il](http://www.tase.co.il)

August 21, 2019

**Re: Immediate Report regarding an Extraordinary General Meeting, a Material Private Placement and a Non-Material and Non-Extraordinary Private Placement of the Company's Unlisted Stock Options**

An Immediate Report is hereby issued on the convening of an extraordinary general meeting of Company shareholders, on whose agenda the item set forth below in accordance with the Companies Law, 5759-1999 (hereinafter - "**the Companies Law**"), the Companies Regulations (Notice of General Meetings and Class Meetings in Publicly Owned Companies), 5760-2000, the Companies Regulations (Written Votes and Position Papers), 5766-2005, the Companies Regulations (Proof of Ownership of Shares for Voting at a General Meeting), 5760-2000, the Securities Regulations (Periodic and Immediate Reports), 5730-1970 (hereinafter - "**Periodic and Immediate Reports Regulations**") and the Securities Regulations (Private Placement of Securities of a Listed Company), 2000 (hereinafter - "**Private Placement Regulations**").

1. **Date, location and agenda**

A notice is hereby given that an extraordinary general meeting of the Company's shareholders (hereinafter - "**the Meeting**") will be held on Thursday, September 26, 2019, at 14:00 at Unitronics House, Arava Street, Airport City, Lod, Israel.

2. **Part A – the item on the Meeting's agenda and a summary of the proposed resolution**

2.1 **Approval of a material private placement<sup>1</sup> to the Company's CEO, Mr. Amir Harari ("Mr. Harari")**

2.1.1 On August 20, 2019 ("**the Grant Date**"), the Company's board of directors, following approval by the Company's audit, compensation and financial statements review committee ("**the Compensation Committee**"), to award 75,000 stock options ("**the Harari Options**"), which are not listed on the Tel Aviv Stock Exchange Ltd. ("**the TASE**") to Mr. Harari, the Company's CEO, in accordance with the terms of the stock option plan for employees, consultants and officers of the Company and the Company's subsidiaries, which are exercisable into 75,000 Company shares.

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<sup>1</sup> As this term is defined in the Private Placement Regulations

2.1.2 For details on the terms and conditions of the material private placement to Mr. Harari, in accordance with the Private Placement Regulations, see Appendix A to this Meeting Convening Report.

2.1.3 It is further noted that on the grant date, the Company's board of directors also approved an allotment of 295,000 stock options for employees and officers of the Company and its subsidiaries<sup>2</sup>, who are not directors ("**the Additional Offeries**") pursuant to a private placement, which is not a material private placement or an extraordinary private placement<sup>3</sup>. For the required details in accordance with the Private Placement Regulations, see Appendix A to this Meeting Convening Report.

2.1.4 Mr. Harari and the Additional Offeries shall hereinafter be jointly referred to as - "**the Offeree**" and/or "**the Offeries**", as the case may be.

The Harari Options and the options that were granted to the Additional Offeries shall hereinafter be jointly referred to as - "**the Options**".

2.1.5 Summary of the reasons given by the Company's Compensation Committee and Board of Directors for approving the Harari Options

2.1.5.1 The private placement to Mr. Harari was discussed by the Company's Compensation Committee and Board of Directors and was approved unanimously approved with no objections.

2.1.5.2 Among others, the Board of Directors and Compensation Committee made the following considerations in approving the private placement to Mr. Harari: to heighten the sense of identification with the Company and its activities, increase the satisfaction and motivation to promote the Company's business operations and improve its business capabilities; retention of high-quality officers for the long term; the total components of Mr. Harari's remuneration and the economic value of Mr. Harari's entire compensation package.

2.1.5.3 In the opinion of the Company's Compensation Committee and Board of Directors, the private placement of options to Mr. Harari will incentivize Mr. Harari to take action in order to improve the Company's long-term performance and financial results, and will tie between Mr. Harari's compensation and the growth in the Company's value and contribution to the Company's shareholders to its shareholders, while taking controlled risks.

2.1.5.4 The terms of the private placement to Mr. Harari are in accordance with the provisions of the options plan, including but not limited to the matter of determining the exercise price, and in accordance with the principles stipulated in the Company's compensation policy, and are consistent with the principles and parameters set forth therein with respect to compensation to the Company's CEO.

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<sup>2</sup> On the same terms as the options were provided to Mr. Harari.

<sup>3</sup> Within its meaning in Regulation 21 of the Private Placement Regulations.

2.1.5.5 The members of the Company's Compensation Committee and Board of Directors confirmed that the approval of the private placement to Mr. Harari shall not prejudice the Company's benefits and it is reasonable and appropriate under the circumstances of the matter.

**Summary of the proposed resolution:** to approve the material private placement and the granting of Harari Options to the Company's CEO, Mr. Amit Harari.

## **Part B – Convening, Date and Execution of an Extraordinary General Meeting:**

### **3.1 Quorum and adjourned meeting**

A quorum in accordance with the Company's articles shall be constituted when two shareholders holding at least thirty percent (30%) of the total voting rights in the Company are present, in person or by proxy. If a quorum is not present within half an hour from the time set for the start of the General Meeting, the Meeting will be adjourned by a week, to the same day, time and place. A quorum at an adjourned meeting shall be constituted when two shareholders are present, in person or by proxy, regardless of the percentage of votes represented by them.

### **3.2 Majority required at the Meeting:**

In accordance with Section 272(c)(1) of the Companies Law, the majority required for approval of the item on the agenda as set forth in paragraph 2.1 above is an ordinary majority of the shareholders entitled to vote at such meeting and participating in the vote, provided one of the following is met.

3.2.1 The majority of the votes counted at the Meeting includes a majority of the votes of shareholders who are not controlling shareholders in the Company or have a personal interest in the approval of the issue specified in paragraph 2.1 above and who participate in the vote; the total votes of the said shareholders shall not include the abstaining votes;

3.2.2 The total number of dissenting votes among shareholders participating in the vote, who are not controlling shareholders of the Company or have a personal interest in the approval of the issue specified in paragraph 2.1 above, is not more than two percent (2%) of the total voting rights in the Company.

### **3.3 Eligibility to vote**

3.3.1 Pursuant to Section 182(b) of the Law and Regulation 3 of the Companies Regulations (Written Votes and Position Statements), 5766-2005. The record date will be Thursday, August 29, 2019 (hereinafter - "**the Record Date**"), such that anyone holding shares of the Company at the end of the trading day, will be entitled to attend the Meeting and to vote thereat, in person to by proxy. A power of attorney to attend and vote at the Meeting, with the addition of Proof of Ownership of Shares for Voting at a General Meeting shall be deposited at least 48 hours before the date of convening the General Meeting. A proposed text of the power-of-attorney in Hebrew and in English is available on the Company's website at: <http://www.unitronics.com>.

- 3.3.2 In accordance with the Companies Regulations (Certificate of Ownership of Shares for Voting at a General Meeting), 5760-2000 (hereinafter –" **Certificate of Ownership Regulations**"), a shareholder who has a share registered with a member of the Tel Aviv Stock Exchange Ltd. and wishes to attend and vote at the General Meeting, will submit to the Company a certificate from the member of the Stock Exchange with whom his right in the share is registered, regarding his ownership of the share, on the Record Date, according to Form 1 in the Addendum to the Certificate of Ownership Regulations, or alternatively, will submit a certificate of ownership to the Company by means of the Electronic Voting System.
- 3.3.3 Pursuant to the Companies Law, a shareholder whose shares are registered with a member of the TASE may receive the certificate of ownership from the Stock Exchange member through which he holds his shares at the branch of that TASE member, or by post to its address, in return for postage only, if he so requested. Such a request must be given in advance for a particular securities account. Likewise, an unregistered shareholder may instruct to have his certificate of ownership submitted to the Company by means of the Electronic Voting System.
- 3.3.4 The number of shares equivalent to 5% of the total voting rights in the Company is: 687,616 ordinary shares of the Company (taking into account dormant shares that do not confer voting rights).
- 3.3.5 The number of shares equivalent to 5% of the total voting rights in the Company that are not held by the controlling shareholder is: 193,138 ordinary shares of the Company (taking into account dormant shares that do not confer voting rights).

#### 3.4 **Voting instrument**

A shareholder may vote at the Meeting, by means of a voting instrument, on the items on the agenda, as set forth below:

- 3.4.1 A vote in writing will be cast using part II of the voting instrument attached to this immediate report, as published on the Dissemination Site (as it is defined in paragraph 3.4.6 below).
- 3.4.2 A shareholder may apply directly to the Company to receive the text of the voting instrument and the position statements.
- 3.4.3 A TASE member will send by email, free of charge, a link to the text of the voting instrument and the position statements, at the Dissemination Site, to every shareholder who is not registered in the Register of Shareholders and whose shares are registered with that TASE member, if the shareholder notified that he is so interested, provided notice is given prior to the Record Date regarding a particular securities account.
- 3.4.4 A voting instrument shall only be valid if the documents listed in the voting instrument (the "**Attached Documents**") are attached to it, and if it is submitted to the Company's offices up to 4 hours before the date of convening of the Meeting. In this regard, the "date of submission" is the date on which the voting instrument and the Attached Documents reached the Company's offices. The deadline for the submission of position statements to the Company is up to 10 days before the date of the Meeting.

3.4.5 The deadline for the submission of position statements to the Company is: **Monday, September 16, 2019.**

The deadline on which the board of directors may submit its response to the position statements is: **Sunday, September 12, 2019.**

3.4.6 The text of the voting instrument and the position papers, as these terms are defined in Section 88 of the Companies Law, can be found on the website of the Israel Securities Authority (<http://www.magna.isa.gov.il/>) (hereinafter - "**the Dissemination Site**") and on the website of the Tel Aviv Stock Exchange Ltd. (<http://maya.tase.co.il/>), or on the Company's website (<http://www.unitronics.co.il/>).

### 3.5 **Voting by means of an Electronic Voting Card**

3.5.1 An unregistered shareholder is entitled to vote on the resolutions on the Meeting's agenda, which are set forth in section 2 above, using an electronic voting card that will be transmitted through the Electronic Voting System, as it is defined in the Voting Regulations (hereinafter – "**the Electronic Voting Card**").

3.5.2 Voting via an Electronic Voting Card shall be permitted at the end of the Record date and up to six hours prior to the Meeting (i.e. **Thursday, September 26, 08:00**), at which time the Electronic Voting System will be locked down.

3.5.3 The Electronic Voting may be changed or cancelled until the Electronic Voting System is locked down and no one shall be able to change his vote through the System after that.

In the event of multiple voting by a shareholder, his final vote shall be counted. For purposes of this paragraph, the shareholder's vote, himself or by proxy, my means of the Electronic Voting Card, shall be considered the final vote.

### 3.6 **The Company's representatives for dealing with the immediate report**

The Company's representative for purposes of this immediate report is Ms. Barket Shani, the Company's deputy CEO and VP for Human Resources, at Unitronics House, 3 Arava St., Airport City, Lod, Israel, Telephone 03-9778888, Fax 03-9778877.

### 3.7 **Review of documents**

This immediate report and the documents referred to herein, as well as the complete text of the resolutions on the agenda, may be inspected at the Company's offices, at Unitronics House, 3 Arava St., Airport City, Lod, on Sunday to Thursday, during regular business hours and after coordinating with Mr. Eitan Alon (Telephone 03-9778888, Fax 03-9778877).

**Sincerely,**

**Unitronics (1989) (R”G) Ltd.**

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Haim Shani, Active chairman of the Board



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

**Appendix A – A Material Private Placement and a Non-Material and Non-Extraordinary Private Placement of the Company's Unlisted Stock Options**

In accordance with the Private Placement Regulations, the Company hereby issues a report concerning a Material Private Placement and a Non-Material and Non-Extraordinary Private Placement, as follows:

1. **General**

- 1.1 The Offeries are not an "interested party"<sup>4</sup>, are not interested parties by virtue of their holdings in the Company's shares and will not become interested parties, as stated, as a result of the granting of the options. Mr. Harari is the Company's CEO and has employer-employee relations with the Company. The Additional Offeries are employees of the Company and/or its subsidiaries (including Unitronics Inc., a wholly-owned subsidiary of the Company, which has incorporated in the United States (Delaware) (hereinafter – "**Unitronics Inc.**") and have employer-employee relations with the Company (or its subsidiaries).
- 1.2 As of the date of this report, the Company's authorized capital is NIS 2,000,000, divided into 1000,000,000 shares of NIS 0.02 par value each. The Company's issued and paid-up share capital prior to the allotment, which is the subject of this report, is NIS 308,570.08 divided by 15,428,504 shares of NIS 0.02 par value each and 15,428,504 fully diluted shares of NIS 0.02 par value each<sup>5</sup>.
- 1.3 Following the allotment, pursuant to this report, the Company's fully-diluted issued and paid-up share capital will amount to NIS 15,798,504, divided into 15,798,504 shares of NIS 0.02 par value each.

2. **The terms of the stock options, their quantity and percentage of the Company's capital and voting rights**

- 2.1 The exercise price of each option is NIS 12.7 (hereinafter – "**the Exercise Price**"), determined in accordance with the provisions of the stock option plan, as the higher of: (a) the opening price of the Company's share on the Grant Date; (b) a 5% premium above the average price of the Company's shares on the Tel Aviv Stock Exchange Ltd., during the 30 trading days prior to the Grant Date<sup>6</sup>. The Exercise Price will not be paid by the Offerees; instead, the value of the profit that exists in each option awarded to the Offerees ("intrinsic value") will be calculated according to the provisions of the stock option plan.

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<sup>4</sup> Within the meaning of this term in section 270(5) of the Companies Law.

<sup>5</sup> Including 1,676,192 dormant shares of the Company.

<sup>6</sup> It is noted that the Exercise Price is not linked to any index.

Immediately after the options are exercised by the Offeree and the options' intrinsic value for the Offeree, as well as the number of resulting exercise shares (as this term is defined below) are determined, the exercise shares will be sold on the TASE and the proceeds thereof will be transferred to the Offeree (net of tax, in any), such that the Offeree will not hold the shares resulting from the exercise of the options, but will receive the options' intrinsic value only.

- 2.2 The option's exercise date will be the day following the day in which the Company receives written notice by the Offeree regarding the exercise (hereinafter – "**the Exercise Notice**").
- 2.3 If the Offeree has delivered an Exercise Notice, a calculation will be performed of the difference between:
  - (a) The closing price of the Company's ordinary shares on the Tel Aviv Stock Exchange on the trading day prior to the Exercise Notice, multiplied by the number of exercised options.and:
  - (b) The exercise price multiplied by the number of exercised options (this difference shall hereinafter be referred to as: "**the Benefit**").
- 2.4 The Offeree will be entitled to a financial benefit valued as the number of Exercise Shares, which will equal the result of dividing the Benefit by the closing price of the Company's shares on the TASE on the trading day prior to the date of the Exercise Notice. The Offeree will pay the Company the nominal value of the shares to which he is entitled based on the aforesaid calculation. Each fraction of a share resulting from the said calculation will be rounded up to the nearest whole share.
- 2.5 Subject to the foregoing, the options will be exercisable into the **maximum theoretical** amount of 370,000 ordinary shares of NIS 0.02 p.v. each of the Company ("**the Exercise Shares**"). The Exercise Shares shall have equal rights, for all intents and purposes, to the existing rights of the Company's ordinary shares.
- 2.6 Assuming that all the Offerees' options are exercised into ordinary shares of the Company, the Exercise Shares shall constitute 2.34% of the Company's issued and paid-up share capital and the voting rights therein, and 2.34% of the Company's fully-diluted issued and paid-up share capital and the voting rights therein following the allotment. In accordance with the foregoing, the options granted to the Offerees will be exercisable into Company shares according the financial benefit (intrinsic value) included in the options on the Exercise date.
- 2.7 The options will vest and will be exercisable into Company shares until the end of 6 years from the Grant Date (hereinafter – "**the End of the Options Period**"). Options unexercised by the Offerees until the end of the options period will return to the Company's options account and may not be exercised in the future by the Offerees. The options will vest in 3 equal annual tranches as specified below:
  - a. The first tranche – one third of the number of options – may be exercised after two years from the Grant Date and until the End of the Options Period.
  - b. The second tranche – one third of the number of options – may be exercised after three years from the Grant Date and until the End of the Options Period.

- c. The third tranche – one third of the number of options – may be exercised after four years from the Grant Date and until the End of the Options Period.

The entitlement to exercise the options after the aforesaid vesting dates is conditional on the Offeree's continued employment as an officer or employee of the Company or its subsidiary. In the event of the termination of these employer-employee relations, all the options granted to the Offeree, which have not vested until that date, shall immediately expire.

The Company's Board of Directors has approved, within the approval of the granting of options and in accordance with the provisions of the option plan, full acceleration of the exercise of the options in the event of transfer of control of the company (as defined in this term in the Companies Law).

- 2.8 The options shall be awarded to the Offerees free of charge and in accordance with the terms of the stock option plan.
- 2.9 The closing price of the Company's share on the TASE on August 19, 2019 (i.e. the trading day prior to the Grant Date) was NIS 11.35, which is 10.63% below the Exercise Price.
- 2.10 To the best of the Company's knowledge, and following an examination it conducted in this matter with the Offerees, there are no agreements, whether in writing or verbally, between the Offerees and a different holder of the Company's shares, and between the Offerees and others with respect to the purchase or sale of securities or regarding voting rights in the Company.

### 3. **The economic value of the Harari Options**

The economic value of each option was calculated in accordance with the B&S model and amounts to NIS 3.09. Accordingly, the economic value of the 75,000 options offered to Mr. Harari amounts to NIS 231,750.

### 4. **The holdings of Mr. Harari and interested parties in the Company's issued and paid-up share capital and in the voting rights therein**

As stated above, it is proposed to grant to M. Harari 75,000 options, which are exercisable into Company shares. To the best of the Company's knowledge, the following table includes data on Mr. Harari's holdings, the holdings of interested parties in the Company, and the holdings of other shareholders of the Company, in the issued and paid-up share capital of the Company and the voting rights therein, prior to and after the allotment, including under the assumption that Mr. Harari will exercise all of the options into the Exercise Shares.



Name	No. of options awarded under this report	Prior to the allotment		After the allotment and assuming the options pursuant this report are exercised by Mr. Harari		Following the allotment of the options to Mr. Harari, on a fully-diluted basis	
		No. of ordinary shares	Percentage	No. of ordinary shares	Percentage	No. of ordinary shares	Percentage
			In the capital and voting rights		In the capital and voting rights		In the capital and voting rights
FIMI opportunity five, limited partnership	-	6,875,000	49.99	6,875,000	49.72	6,875,000	48.68
Haim Shani	-	3,014,551	21.92	3,014,551	21.80	3,014,551	21.35
Noked Capital	-	894,370	6.50	894,370	6.47	894,370	6.33
Mr. Harari	75,000	-	-	75,000	0.54	75,000	0.53
Remaining Company shareholders	-	2,968,391	21.59	2,968,391	21.47	2,968,391	21.02
Employee stock options	295,000	-	-	-	-	295,000	2.09
<b>Total</b>	<b>370,000</b>	<b>13,752,312</b>	<b>100.00</b>	<b>13,827,312</b>	<b>100.00</b>	<b>14,122,312</b>	<b>100.00</b>

5. **The required details pursuant to the Sixth Addendum to the Reports Regulations (in terms of cost to the Company – annual cost)**

5.1 Pursuant to the Sixth Addendum to Reports Regulations, the following table presents the amount of compensation to Mr. Harari<sup>7</sup>:

Details of the recipient of the compensation				Compensation for services (NIS in thousand)							Other compensations (NIS in thousand)			Total (including maximum bonus)	
Name	Position	% of position	% of holding in the Company's capital	Wages	maximum bonus	Share-based payment	Management fees	Consulting fees	Commission	Other	Interest	Rent	Other		Total
Amit Harari	Company CEO	100%	—	820	400	232	—	—	—	—	—	—	—	1052	1,452

<sup>7</sup> Assuming the allotment of the options to Mr. Harari is approved by the General Meeting. For additional details see section 11 below.

5.2 For additional details on the terms of Mr. Harari's tenure, see section 2.11 and Appendix H to the report on convening an annual and extraordinary general meeting of the Company, dated April 8, 2019 (reference no.: 2019-01-032430), which is included by way of reference.

6. **The Harari Options – details on the consideration and the manner in which the consideration was determined**

The consideration was determined taking into account the Company's compensation committee, the stock option plan and management's considerations regarding the encouragement and compensation of employees, and was approved by the relevant organs of the Company, as set forth in section 11 below, after having discussed and examined the terms of the allotment, and according to the reasons listed in section 7 below.

As stated above, the options will be awarded to Mr. Harari free of charge, in accordance with the terms of the stock option plan. For details on the mechanism for determining the exercise price and the payment thereof, see paragraph 2.6 above. For details regarding the economic value of the options, see section 3 above.

7. **The Harari Options – summary of the reasons provided by the Company's Compensation Committee and Board of Directors**

For information on the reasons provided by the Company's Compensation Committee and Board of Directors, see paragraph 2.1.5 to the report for convening an extraordinary general meeting of the Company, of which this Appendix constitutes an inseparable part.

8. **The name of each material shareholder or officer of the Company with a personal interest in the options**

To the best of the Company's knowledge, except for the personal interest of Mr. Harari, the Company's CEO, which stems from being an Offeree and entitled to the Harari Options, as of this date no material shareholder or officer of the Company has a personal interest in the options.

9. **Adjustments**

9.1 **General adjustments of the options**

9.1.1 The options will not be exercised on the record date for the distribution of bonus shares, for an offering by way of rights, for the distribution of dividends, for a capital consolidation, capital split or capital reduction (each of the above shall be referred to as – "Company Event").

9.1.2 The options will not be exercised on the "Ex Day" in the event that the Ex Day for a Company Event takes place prior to the Record Date for a Company Event.

9.2 **Adjustments in respect of the distribution of bonus shares**

9.2.1 If the Company distributes bonus shares to the owners of ordinary shares of NIS 0.02 p.v. until the end of the options period, immediately following the Record Date for the distribution of bonus shares the rights of the Offeree

holding the options shall be preserved, such that the number of shares resulting from the exercise which the Offeree will be entitled to upon the exercise of the options, will increase or decrease by the number of shares which the Offeree would have been entitled to as bonus shares if he had converted the options immediately prior to the Record Date. The number of Exercise Options to which the holder of the options will be entitled will only be adjusted in the event of the distribution of bonus shares as stated in this paragraph above, but not in the event of any other offerings (including offerings to interest parties).

9.2.2 The Offeree's right to the Company's securities in the event of the distribution of bonus shares as stated above, shall only apply in relation to the options where the date of entitlement to the exercise thereof falls on the date of distribution of the bonus shares and in relation to the options exercised by the Offeree.

9.2.3 The Offeree's right to the Company's securities in the event of the distribution of bonus shares as stated above, shall be preserved until the exercise date and will apply only on the exercise date, that is – only upon the exercise of all or part of the options, by the Offeree, the Offeree shall be entitled to receive the securities to which he was entitled as a result of the distribution of the bonus shares in respect of the number of shares to which he is entitled.

9.2.4 If the distribution of bonus shares as stated above will result in fractions of shares, the Offeree will not be entitled to receive a fraction of a share and the number of shares will be rounded down.

### 9.3 Adjustments in respect of the issue of rights

In the event of the issue of rights by the Company to the shareholders during the period in which the options' exercise right existed, the number of shares resulting from the conversion of the (non-marketable) options will be adjusted to the benefit component in the rights, as it is expressed in the ratio between the share's closing price on the TASE on the last trading day before the Ex-Day and the ex-rights basic price of the share.

### 9.4 Exercise price adjustments in the event of a dividend distribution

9.4.1 If the Company distributes dividend during the period in which the options conversion right existed, then: the option's exercise premium will be less than the NIS-denominated amount of the dividend that was distributed in respect of one ordinary share of the Company.

9.4.2 If the Company performs a split, consolidation or re-division of its ordinary shares into shares with a different nominal value, the required adjustments to the Exercise Shares shall apply, however, the Offeree will not be entitled to receive a fraction of a share and the number of shares shall be rounded down.

The calculation of the adjustments detailed in Section 9 above will be made by the Company's accountant on the date of the relevant Company Event.

**It is clarified that the foregoing is presented in summary only, and does not reflect the entire arrangements, agreements and conditions that existed between the Company and the Offeree in connection with the options, including with respect to: lack of marketability and transferability of the options, terms of the stock option plan in the**

**event of termination of employment or tenure, the exercise procedure, the offeree's undertaking, etc.**

**10. Prevention and/or restrictions on the execution of transactions in the options which will apply to the Offerees**

10.1 The private placement to the Offerees (except for an employee of Unitronics Inc.) shall be made in accordance with the provisions of Section 102 of the Income Tax Ordinance [New Version], 1961 (hereinafter – "**the Income Tax Ordinance**") under the capital gains track, with a trustee, and the provisions of the Income Tax Ordinance in this regard shall apply thereto. According to the capital gains track, the options will be deposited on the allotment date with a trustee ("**the Trustee**") that will be entitled to take action in order to exercise the options deposited with him, at the later of the following two dates:

10.1.1 Following two years after the Grant Date (or another restriction period prescribed by the law) (hereinafter – "**the Restriction Period**").

10.1.2 After the Offeree's right to exercise the options that he is interested in releasing from the Trustee takes effect.

Subject to the following provisions, the Offeree may not transfer from the Trustee or sell the options and/or the Exercise Shares before the end of the Restriction Period. If the Offeree wishes to transfer from the Trustee or sell the options and/or the Exercise Shares before the end of the Restriction Period, he may do so subject to the payment of the applicable tax.

The Trustee will hold the options for the Offeree until the date they expire, and will hold the Exercise Shares until they are sold or until the payment of the applicable tax by the Offeree, whichever is earlier. If the Offeree wishes to sell the Exercise Shares prior to the payment of the applicable tax, he may do so through the Trustee, subject to the conditions of the arrangement, if any, with the tax authorities, and subject to the payment of the tax. The Trustee may deduct any amount from the proceeds of the sale to secure the payment of the applicable tax.

The private placement to the employee of Unitronics Inc. shall be made in accordance with the provisions of Section 3(i) of the Income Tax Ordinance.

10.2 The options and/or Exercise Shares will be released from restriction in accordance with the Income Tax Rules (Tax Reliefs in the Allotment of Shares to Employees), 2003.

10.3 In line with the TASE Regulations, the options may not be exercised on the Record Date for the distribution of bonus shares, an offering by way of rights, the distribution of dividends, a capital consolidation, capital split or capital reduction ("**Company Event**"). In addition, the options may not be exercised on the "Ex Day", in the event that the Ex Day for a Company Event takes place prior to the Record Date for a Company Event.

10.4 In accordance with the Securities Law, 1968, and the Securities Regulations (Details Regarding Sections 15A to 15C of the Law), 2000, the restriction provisions set forth below shall apply:

10.4.1 The Offeree is forbidden from offering the Exercise Shares allotted thereto for a period of six months from the date of allotment of the options.

10.4.2 For six consecutive quarters the Offeree may offer, on each trading day, an amount of shares that will not exceed the daily average trading volume in the Company's shares on the TASE during the eight-week period that preceded the offer, provided he does not offer, in the course of one quarter, an amount of shares that exceeds one percent of the Company's issued and paid-up share capital.

11. **The required approvals; the date of allotment**

The stock options will be granted subject to the following approvals:

- 11.1 The approval of the Company's Compensation Committee and Board of Directors, which were made on August 15, 2019 and August 20, 2019, respectively.
- 11.2 The approval of the general meeting of Company shareholders, in accordance with the provisions of section 3.2 of the report for convening an extraordinary general meeting of the Company, of which this Appendix constitutes an inseparable part.
- 11.3 The TASE's approval to list the Exercise Shares for trading (hereinafter – "**the TASE's Approval**") which, as of the date of this immediate report, has not yet been given. The Company plans to request the TASE's Approval, as stated, immediately after the publication of this immediate report.
- 11.4 The options will be allotted to all the Offerees (except for Mr. Harari) on the date in which each Offeree signs an options agreement in line with the stock option plan, following receipt of the TASE's Approval. The Harari Options will be allotted to Mr. Harari on the date in which he signs an options agreement in line with the stock option plan, following receipt of the Meeting's approval and the TASE's Approval.
12. To remove any doubt, it is hereby clarified that the options are not marketable and shall not be listed for trading on any stock exchange.
13. The Company undertakes that the Exercise Shares allotted to the Offerees will be registered in the name of Mizrahi Tefahot a Nominee Company Ltd. (or any other nominee company as shall be determined by the Company from time to time, in the event that the Company decides to replace the nominee company in connection with all of its securities).

Sincerely,

**Sincerely,**

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

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Haim Shani, Active chairman of the Board